

# 2021 INTEGRATED REPORT

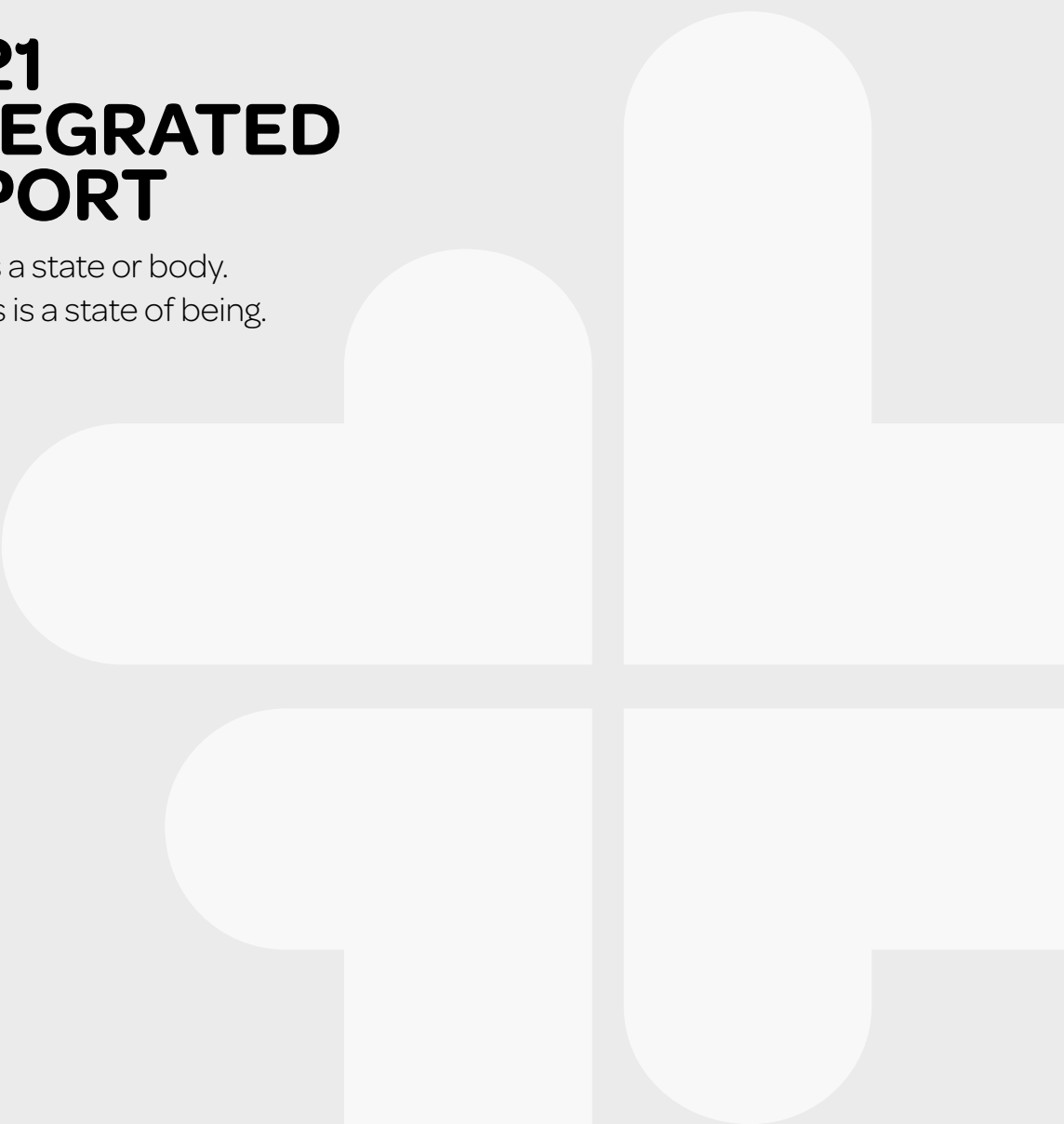
Health is a state of body.  
Wellness is a state of being.



**Bomaid**   
Health & Happiness at heart

# 2021 INTEGRATED REPORT

Health is a state of body.  
Wellness is a state of being.



2021  
INTEGRATED  
REPORT


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Your body hears  
everything your  
mind says.



## ABOUT BOMAID

The Botswana Medical Aid Society (Bomaid) is Botswana's leading private medical aid provider, covering over 93 000 lives. We serve private, institutional and individual customers with the most extensive product range. This includes medical cover and complementing insurance products. Bomaid is a self administered fund regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA ) and is a member of The Board of Healthcare Funders of Southern Africa (BHF).



## MISSION

To provide diverse and leading-edge healthcare solutions through innovation and excellence



## VISION

"Your companion in wellness and health"

# INTRODUCTION

- **About our Integrated Annual Report**
- **Bomaid Highlights**
- **Message from the Chairman**

## Enhancements to this report

This report is our second Integrated Annual Report. It reflects our commitment to integrated thinking, good governance, and enhanced consideration of our stakeholder groups.

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# About our Integrated Annual Report

## Enhancements to this report

**This report is our second Integrated Annual Report. It reflects our commitment to integrated thinking, good governance, and enhanced consideration of our stakeholder groups.**

In producing this report, we continue to recognise that there are areas for improvement and reaffirm our commitment to further enhancement of our reporting quality and disclosures in future reports. In this report, we have made strides in aligning our report disclosures with the requirements of the Integrated Reporting Framework, including the guiding principles and content elements.



### Scope and boundary

The Botswana Medical Aid Society (Bomaid) integrated report is our main report to our stakeholders. The report provides information

relating to our governance, material risks and opportunities, performance against strategy, our impact on society and our prospects. It covers the period from 1st January to 31st December 2022. Any material events are also included after this date and up to Board approval of the annual financial statements on 28th April 2022, and the integrated report and governance report on 15th June 2021.

## The report provides information relating to:

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our governance



material risks and opportunities



performance against strategy



our impact on society



our prospects

## About our Integrated Annual Report Continued



### Reporting frameworks and assurance

Bomaid takes direction on reporting from the King IV Report on Corporate Governance for South Africa, 2016 (King IVTM) and the International Integrated Reporting Council’s (IIRC) International Framework. In addition, the objectives of the Registrar of Societies, Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Botswana Medicines Regulatory Authority (BOMRA), Financial Intelligence Agency (FIA) and the Botswana Accountancy Oversight Authority (BAOA) have been considered in the drafting of this report. Financial information has been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board and Executive Management, with oversight of the Chief Financial Officer, reviews and approves the report and is comfortable, based on materiality, that external assurance on the accuracy of non-financial information is not necessary at present. This position is considered on a regular basis.

Our annual financial statements have been audited by Deloitte, who expressed an unmodified opinion thereon. To obtain a full understanding of the nature of the information that has been audited, refer to the auditor’s report and the audited annual financial statements in the attached report and on our website.



### Basis of presentation

The 2021 integrated report is prepared from Board of Trustees discussions, minutes, decisions, and approvals (reflecting the group’s integrated thinking). In addition, internal and external reporting



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## About our Integrated Annual Report Continued

information, as required by the Integrated <IR> Framework (2021) is taken into consideration.

A cross-functional team, led by the Group Chief Executive Office, representing various functional areas across the Group, produce the draft integrated report with oversight from Board. Members of The Board and the Executive Management contribute to the content. In 2021, an external sustainability team was brought in to provide support in the process and to build capacity for future reporting. All members of the Executive Management are involved in drafting the report, while The Board provides final approval and sign-off.

### Materiality

We consider material issues that effect on value creation in terms of our operating environment, the interests of our key stakeholders, and the priority risks and opportunities facing the organisation. The material themes presented in the report are identified through internal and external stakeholder engagement. These themes are prioritised based on

relevance and impact on our ability to achieve our strategic objectives. This process is managed by the Executive Team and supported by The Board. Where possible, our performance is benchmarked against our peers based on publicly available information. There are no material changes, other than the enhancements referenced below to the content of this report compared with the 2021 annual report.

We identified the following material themes:



Fraud waste and abuse



Member retention



Technology revamp



We welcome written comments and feedback from our stakeholders that relate to both this report and other general matters. Please email your comments to: [principalofficer@bomaid.co.bw](mailto:principalofficer@bomaid.co.bw)



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## About our Integrated Annual Report Continued



### Forward-looking statements

Some statements in this report may be considered as forward-looking statements and targets. These statements involve both known and unknown risks and uncertainties relating to future events and may be influenced by factors outside the Group's control. Further, there are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

We cannot guarantee that any forward-looking statements will materialise, and accordingly readers are cautioned not to place undue reliance on any forward-looking statements.

Bomaid disclaims any intention and assumes no responsibility or obligation to update or revise any forward-looking statements, even if added information becomes available because of future events or for any other reason, other than as is required by legislation.



### Feedback

In this report we demonstrate our progression along our integrated thinking and reporting journey. We have included additional disclosures regarding materiality, risks and opportunities, and value creation.



### Board assurance and approval

The Board confirms that the Group continues to conform with the primary legislation governing its establishment and operations. This includes the Societies Act of 1972, Companies (Amendment) Act of 2019, The Financial Reporting Act of 2010, the Financial Intelligence Act of 2022, Data Protection Act of 2018 and the NBFIRA Act of 2016 as well as the Botswana Medical Aid Society Books of Rules & Memoranda and Constitutions of Companies in which Bomaid has direct or indirect shareholding. Our attestation is informed by the Legal Compliance Self-Assessment review performed by Risk and Compliance and the external audit of the annual financial statements by Deloitte; and the ongoing second- and third-line assurance activities.

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## About our Integrated Annual Report Continued

In The Board's opinion, this report provides a fair and balanced account of the Group's performance on those material matters that we have assessed as having a bearing on our capacity to create and sustain value. Although we believe that this report has been prepared in accordance with the IIRC International Framework, we undertake to continually mature our level of integrated reporting over time.

The report was approved by The Board of Trustees on 15th June 2022 and signed on its behalf by:



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*E.S. Mute*

Chairperson



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*M.C. Mokgosa*

Chief Executive Officer



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# Bomaid Highlights

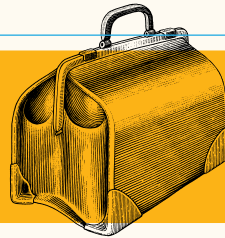
We've a proud history and a remarkable story to tell of investing in our people to make us all collectively more resilient. Over the years we have overcome many challenges and had many successes, highlighted below:

## 1970s and 1980s



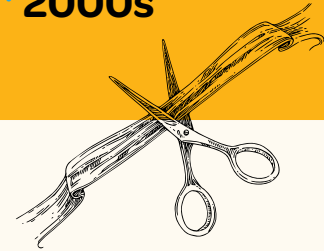
- Registration of the Society
- Administration by audit firms

## 1990s



- Turnaround Strategy 1
- Self-administration
- HIV Benefit introduced
- First Private Hospital opened  
- Gaborone Private Hospital

## 2000s



- Opening of Francistown office
- Launch of new generation products (Bombaby, Wellness, Managed Care Programmes)

**Bomaid**  
Health & Happiness at heart

## Bomaid Highlights Continued

- Opening of second and third private hospitals – Bokamoso & Riverside
- Improvement in embedded life products
- Introduction of severe illness benefit
- Introduction of screening and prevention benefits
- Achieved majority ownership of MRI Botswana

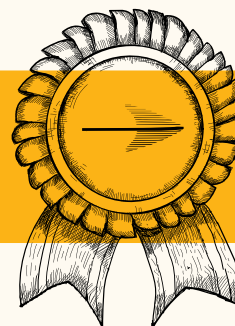
- Bomaid brand refresh
- Opening of Maun office
- Turnaround Strategy 2 starts
- Return to surplus after sustained period of deficits
- Outsourcing and then insourcing of administration
- Appointment of actuaries
- Enhancing of combined Assurance (Outsourcing of internal audit function

- and Establishing a Risk and Compliance Function)
- Closure of Alpha Access
- NBFIRA Regulation commences
- Adopt-a-School initiative
- BHF Platinum Award
- Commencement of Medical Value Tourism

### 2010s



### 2020s





- Opening of fourth, fifth and sixth private hospitals – Sidilega, Maun Private Hospital, Francistown Academic Hospital
- Go Live of Thobo core administration system
- Second brand refresh
- Bomaid turns 50

- Celebration of 50th anniversary with founding customers and staff
- COVID-19 Cover
- 101 Most Fabulous Leaders Award
- Donation of P2 million to the COVID-19 Relief Fund
- Recipient of 2021 service excellence awards –








- Chartered Institute of Customer management
- Recipient of PMR Excellence Awards – 2021
- Successful conclusion of turnaround strategy
- Approval of Wellness Transformation Strategy
- Improved focus on healthcare reporting

## Bomaid Highlights Continued

**During 2021, we continued to build on our story of progress. Despite the challenges of the past year, we have several highlights that we would like to share with our stakeholders, highlighted below:**

Category	Highlights	Strategic objective
<b>Financial</b> 	<ul style="list-style-type: none"> <li>• Scheme administration cost ratio at 13%</li> <li>• Escalation of claims ratio from 75% to 102%</li> <li>• Decrease in scheme surplus from P101.7m to a deficit of P101.9m</li> <li>• Decrease in group profit P99.1m to a deficit of P102m</li> <li>• Decrease in scheme operating surplus from P89m to a deficit of P116.6m</li> <li>• Decrease in solvency ratio from 60% to 48%</li> <li>• Increase in member contributions by 4.1%</li> </ul>	<ul style="list-style-type: none"> <li>• Fund Growth</li> <li>• Cost control</li> </ul>
<b>Human</b> 	<ul style="list-style-type: none"> <li>• Decrease in number of employees from 91 to 86</li> <li>• Decrease in number of female employees from 59 to 57</li> <li>• Decrease in number of youth employees (under 35) from 31 to 29</li> <li>• Decrease in training costs by 1.25%</li> <li>• Increase in value of remuneration paid by 3%</li> <li>• Male to Female ratio: 34%:66%</li> <li>• Employee retention rate at 99%</li> <li>• Staff engagement level: Deloitte Best Company Silver Seal achieved</li> </ul>	<ul style="list-style-type: none"> <li>• High performance</li> <li>• Leadership development</li> <li>• Talent management</li> </ul>

## Bomaid Highlights Continued

Category	Highlights	Strategic objective
<b>Intellectual</b> 	<ul style="list-style-type: none"> <li>• Market share increase to 54% of open medical aid schemes</li> <li>• 2142 Members registered on the Bomaid App</li> <li>• 42% Members following on social media.</li> <li>• Social media reach:                             <ul style="list-style-type: none"> <li> Over <b>35,000</b> on <b>Facebook</b></li> <li> Over <b>2,700</b> on <b>Instagram</b></li> <li> Over <b>1,300</b> on <b>LinkedIn</b></li> <li> Over <b>450</b> on <b>Twitter</b></li> </ul> </li> <li>• 77% closure of Treating Customers Fairly action items.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing customer interaction</li> <li>• Leveraging business intelligence</li> <li>• Operational excellence</li> </ul>
<b>Manufactured</b> 	<ul style="list-style-type: none"> <li>• Enhanced stakeholder interaction through new apps, virtual platforms, and integrated systems</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing customer interaction</li> </ul>
<b>Social</b> 	<ul style="list-style-type: none"> <li>• Increase in principal Members by 6.8% % from 39 926 to 42 635</li> <li>• Increase in beneficiaries by 4% from 88, 590 to 93 926</li> <li>• 0.8% reduction in chronic enrolments from 17, 462 to 17 321</li> <li>• Increase in HIV viral suppression from 89% to 98%</li> <li>• 77% electronic submission of claims</li> <li>• 30.4 % increase in claim lines paid from 3 304 323 to 4 308 228</li> <li>• P0.2m Ex Gratia payments</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing customer interaction</li> <li>• Operational excellence</li> <li>• Fund growth</li> </ul>

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# Chairman's Statement

**The Year 2021 was a challenging year on many fronts. The challenges affected a wide range of stakeholders from the average citizen to corporations, all of which were recovering from the pandemic's existential effects. The socio-economic and psychological impact of this pandemic will be felt by all for quite some time.**

## External Environment

As Bomaïd we rallied on many fronts. Following from our P2 million cash donation towards the government's pandemic relief efforts in 2020, we continued to explore ways to alleviate the impact of the pandemic on the Bomaïd Membership and the wider populace. With that in mind, The Board approved a full cover for the pandemic which included testing, consultations, evacuations, hospitalisation, home visits, treatment and vaccines. This included opening the benefit up to Members who were not



**Mr. E.S. Maite**  
Board Chairperson

on health plans with hospitalisation cover. The Board approved a funding of P116 million from reserves to combat this once in a lifetime catastrophe.

In addition to the above - which underlines Bomaïd's commitment to the health and wellness of Batswana - we focused on the safeguarding of our staff by instituting work-from-home protocols complemented with a safe return-to-work strategy. This was critical to ensure minimal disruption of the provision of services to our customers at a time when the essential services of a healthcare funder where needed the most.

I am proud that my Board took the monumental decision to fully commit to covering all COVID-19



## Chairman's Statement Continued

related medical costs of our Members at the height of the pandemic with the unprecedented support to its Members, staff and society. The pandemic had far reaching political, financial, social and technological implications and has redefined the view of the world. More tellingly, it tells a story of how Bomaid was prepared for such an eventuality and how it, indeed, rose to the challenge when it had to.

There are, therefore, some realities we have had to confront, such as the loss of loved ones, livelihoods, opportunities and peace of mind, amongst others. As companies folded due to difficult trading conditions their employees lost jobs and were, therefore, unable to maintain their subscription payments. To weather the impact, Bomaid relaxed some underwriting rules to allow migration into lower schemes and offered some reprieve in the form of subscriptions discounts and holidays for those in distress.

The Southern African region is set to experience further economic headwinds as we march towards recovery. In 2021, the International Monetary Fund (IMF) projected Sub-Saharan Africa's economic

growth to 3.7%, in contrast to more advanced economies which were projected to grow by more than 5%. This projected growth was, however, soon disrupted by the Russia/Ukraine conflict, whose quasi-global impact further disrupted supply chains for those that directly or indirectly rely upon imports from that region. Furthermore, pandemic-related inflationary pressures can be expected to increase,

### COVID - 19 PAYOUT



The figure for Bomaid's unprecedented support to its Members during COVID stands at **BWP 100 million**

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## Chairman's Statement Continued

as will other knock-on effects such as demand/supply imbalances for commodities. All these challenges have set the frame for an exacting outlook in the short to medium term.

Specifically, Botswana had forecasted economic growth of 9.7% in 2021 but it was subsequently revised downwards to 4.3% in 2022. This was partly due to the COVID-19 related issues. In her maiden budget speech, the Minister of Finance & Economic Development, Ms. Peggy Serame, highlighted that "Economic recovery continues to be strong, underpinned by a successful vaccination campaign," but she warned of potential threats due to possible new variants of the Corona Virus".

There is the very real risk of a resurgence of the pandemic, despite the Botswana government having met many thresholds of COVID-19 vaccine programmes. There are still notable levels of vaccine hesitancy, especially driven by the perception that the virus has dissipated. As the winter season sets in there have been reports of rising cases of infections and deaths. Though the cases are fairly mild with few

cases requiring admission, the increase in COVID-19 cases serves as a stark reminder that the pandemic is not behind us and that it would, therefore, be prudent to remain vigilant.

While on the topic of vaccines, unrelated but parallel vaccine programmes were also impacted by the effects of the pandemic. This has led to increased chances of incidences of vaccine-preventable diseases such as measles. "The impact of these disruptions to immunization services will be felt for decades to come," highlighted Dr. Joan Matji from UNICEF. Additionally the unprecedented demand for COVID-19 vaccines has led to shortage for other vaccines locally. Be that as it may, we have had an opportunity to learn and implement lessons from these tough times and we hope our health systems will be strengthened to prepare for the unlikely eventuality of subsequent pandemics and that we can better prepare systems such as cold chain and human resources deployment, which can result in better service delivery.

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## Chairman's Statement Continued

It is perhaps appropriate to take a moment to recognise the Botswana Government's overall response to the pandemic. We believe that many lessons have been learnt and that these would help us as a nation to better prepare for similar situations in the future.



### Value Creation

Having concluded the turnaround strategy which ran from 2016 to 2021, we believe that the platform has been set for our Transforming Wellness strategy that runs from 2022 to 2026.

The new corporate strategy seeks to firstly transform Bomaid in terms of its business model. The idea was to move the fund towards being an integrated entity that offers wellness solutions and to contribute to the sustainable development goals (SDG's) with special emphasis on SDG 3 (Good Health & Wellbeing). We recognise that medical aid funds operate in a broader ecosystem and, as a leading private funder, we believe that our efforts must be aligned with the broader objectives which, over and above contributing to health and wellness, may encompass other sustainable goals including education, diversity & inclusion, work and economic growth and innovation & infrastructure development. It is our hope that in this new strategic planning period, we will be able to touch upon the other facets of the development goals through our corporate social investment initiatives and our association with other

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## Chairman's Statement Continued

organisations with a shared vision. This is an area we have started and have made great progress in. While we still have some work to do, we are moving in the right direction.

Traditionally, Bomaid had been focused on a reactive and curative approach. The services offered serve to support the Members, mainly when they need any medical interventions. Our new direction will maintain reactive support for our Members while also taking a more proactive approach to total Member wellness. The Fund has recast its existing offerings within the frame of wellness through the "Transforming Wellness" campaign and, in an exciting development, anticipate the creation of a ground-breaking wellness offering that encapsulates how we expect to service our Members going forward.

Thirdly, there has been an observation that our Membership is aging. In our line of business, one needs to sustainably manage the proportion of aged Members to that of young Members. A better business model would therefore dictate a balance between younger and older age demographics. This

is also an area where the strategy aims to be effective in attracting younger age groups to Bomaid by offering attractive lifestyle focused services and products.

Lastly, we intend to optimise processes and improve our operational efficiencies, which speak to our service delivery, our financial performance, and our effectiveness as a service provider. We implemented a core processing system, which went live in the previous reporting year. This technology is a key platform for digitizing many of our service offerings to our clients. It is an important foundation that we have laid right from the beginning by making sure we had the right technology and that the data was sound and usable. Currently, we are experiencing many of the benefits of having implemented that core processing system.

### Outlook

Technology is a key part of our strategy going forward, as indicated by our investment in the Thobo fund administration system. We envisage that this will offer a perfect platform for our digitisation agenda and anchors our ambitions to offer our Members

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## Chairman's Statement Continued

and healthcare practitioners a seamless, integrated and paperless experience supported by self-service channels.

Having been at the forefront of private healthcare funding during both the AIDS and the COVID-19 pandemics, we are buoyed by the resilience of Bomaïd to external shocks. We believe that this bears testament that our fifty years of existence has taught us valuable lessons that will remain useful in navigating future shocks. Our philosophy of balancing the provision of a comprehensive healthcare funding cover with the frugality to maintain adequate reserves has been largely supported by strong processes to balance the inherent risks with our investment philosophy. With a claims cover of seven months, we will continue to leverage off our strong balance sheet and strategic oversight along with our operational processes to demonstrate our commitment to be sustainable into the future.

The World Health Organisation has observed that 46% of deaths in Botswana in 2016 were due to non-communicable diseases. (NCD's).. These NCD's

mostly arise from poor diet, physical inactivity, tobacco use, excessive alcohol intake resulting in four conditions (cardiovascular disease, diabetes, chronic lung disease and various cancers). The economic costs of NCD's is estimated at P13.2 billion a year. Ultimately, our purpose at Bomaïd is to finance "Best Buy" interventions to sustain economic growth, reduce the burden of these diseases and turn these NCD trends around. We, therefore, aim to support our Members with products that encourage a healthy lifestyle through a balanced diet, regular exercise, and good mental wellness.

### Appreciation

Firstly, I would like to thank our Members for continually trusting Bomaïd with their health, happiness, and wellness. We believe your faith and patience will continue to be rewarded with some of the fruits we expect you to reap from our new wellness-focused strategy.

I would also like to pay special tribute to all our healthcare partners for never giving up on us as we work to improve our relationships. Bomaïd thanks you

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## Chairman's Statement Continued

for always going above and beyond for our Members. A special appreciation is afforded for always taking the time to ride through any rough patches with us and helping us become a better partner in the health services industry of Botswana.

Next, I turn to the tireless efforts of the Bomaid team under the leadership of their CEO, Moraki Mokgosana. The team's efforts especially paid off in supporting our Members during an exceedingly challenging period in our history - as a country and as a medical aid provider. Their heroic efforts have not gone unnoticed.

Lastly, as I review the Fund of which I am now The Board Chairman, I would like to look back at the journey so far and recognise the strides made to position Bomaid as the leading medical aid in Botswana. Through my journey from Board Member to its Chairman, I am proud to say the Fund consistently rose to the challenge of meeting our Members' expectations and at times exceeding them. We stand on the cusp of an exciting new era

for the fund where we will work in partnership with our Members to actively and progressively support their health and wellness journeys.



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*Emmanuel Ntate*  
**Bomaid Chairman**

# OUR BUSINESS

- **Who we are**
- **Governance Overview**
- **Risk Management Overview**



We are the largest open medical aid fund in Botswana providing products and services to our 42 635 principal Members and 93 926 people across Botswana.



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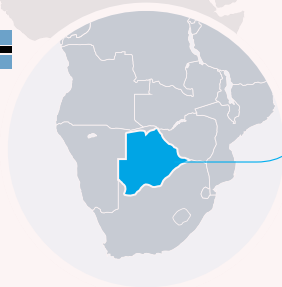
# Who we are

**Botswana Medical Aid Society (Bomaid) is a medical aid fund registered in Botswana under the Societies Act, established in 1970.**

We are the largest open medical aid fund in Botswana providing products and services to our 42 635 principal Members and 93 926 people across Botswana. Through our healthcare services company, Southview, we provide other medical services including emergency medical evacuation, general medical services, site clinics and the distribution of pharmaceutical products.

Our medical aid business has operations in Gaborone (Fairgrounds Office Park), Francistown and Maun. In addition, our healthcare operations are also based in Palapye. In Gaborone, the MRI and Prime Health brands operate in Block 7, Airport Junction and Setlhoa Park.

Our medical aid products cater for a range of customers across various sectors including the financial services sector, mining, telecommunications, academic, manufacturing, tourism, utilities and retail sectors. We provide for parastatal, private, and public entities as well as small businesses and individuals. Healthcare services cater for government, parastatals, private and corporate clients as well as medical aid funds.



**We provide products and services to:**



**42 635**  
Principal Members

**93 926**  
People across Botswana



## Who we are Continued



### Vision

"Your companion in wellness and health"

01



### Mission

To provide diverse and leading-edge healthcare solutions through innovation and excellence

03



### Values

02

#### **Passion for Wellness**

As the heart of our core philosophy, is that wellness is the route to health and happiness. Through care and empathy, we demonstrate, motivate for, and inspire the practice of healthy habits in order to attain better physical, mental and emotional health outcomes.

#### **Accountability**

We understand what our customers want and need; and deliver on what we promise them. We aim to exceed expectations and deliver without excuses.

#### **Urgency**

We foster an environment that challenges constraints and drives progress with agility, tenacity and a sense of urgency. We take action with promptness and speed.

#### **Consistency**

We conduct ourselves professionally, delivering consistently according to set standards, expectations and moral principles. We are open, honest, ethical, and genuine; We are transparent and treat everyone with dignity and respect.

#### **Teamwork**

We create opportunities to collaborate, having a vested interest and actively supporting others to amplify our collective output. We keenly listen to all points of view, identifying basis for compromise and reach agreement, in order achieve of our shared objectives.

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## Who we are Continued

### Products and services

#### We provide the following products and services:



##### **Medical aid products,**

covering a range of corporate profiles, income brackets, household sizes, and specific wealth needs



**Corporate wellness programmes** designed to assist our corporate clients to operate efficiently within the illness-wellness continuum. Known as Well@Work, the programme aims to help organisations maintain a healthy workforce, maximise productivity, reduce the rate of absenteeism and cut down on health care related costs. It is a standalone product available to the market at large and corporate Members do not have to be with the Bomaid scheme.



##### **Onsite & Emergency medical services**

through a country-wide network of skilled paramedics, emergency doctors, nurses and emergency medical dispatchers with ambulance bases operating from Gaborone, Francistown, Maun, and Palapye.



##### **Pharmaceutical products**

through the Prime Health brand of pharmacies. The pharmacy provides Managed Care services for medical aid funds for their Members on chronic medication.



**Network of clinics** offering quality integrated healthcare services that are affordable and easily accessible. Our aim is to provide convenience to our clients through one-stop medical clinics and personalised care that will leave long lasting impressions on all the lives we touch.



##### **Training services,**

provided through the MRI Training Academy, which provides a variety of First Aid, Safety, and health care professional courses



##### **Call Centre Solutions**

providing services including quantifying sales leads, taking orders, responding to ad inquiries, market research, or general information requests, delivered in a timely and cost-effective manner.

## Who we are Continued

Ownership structure

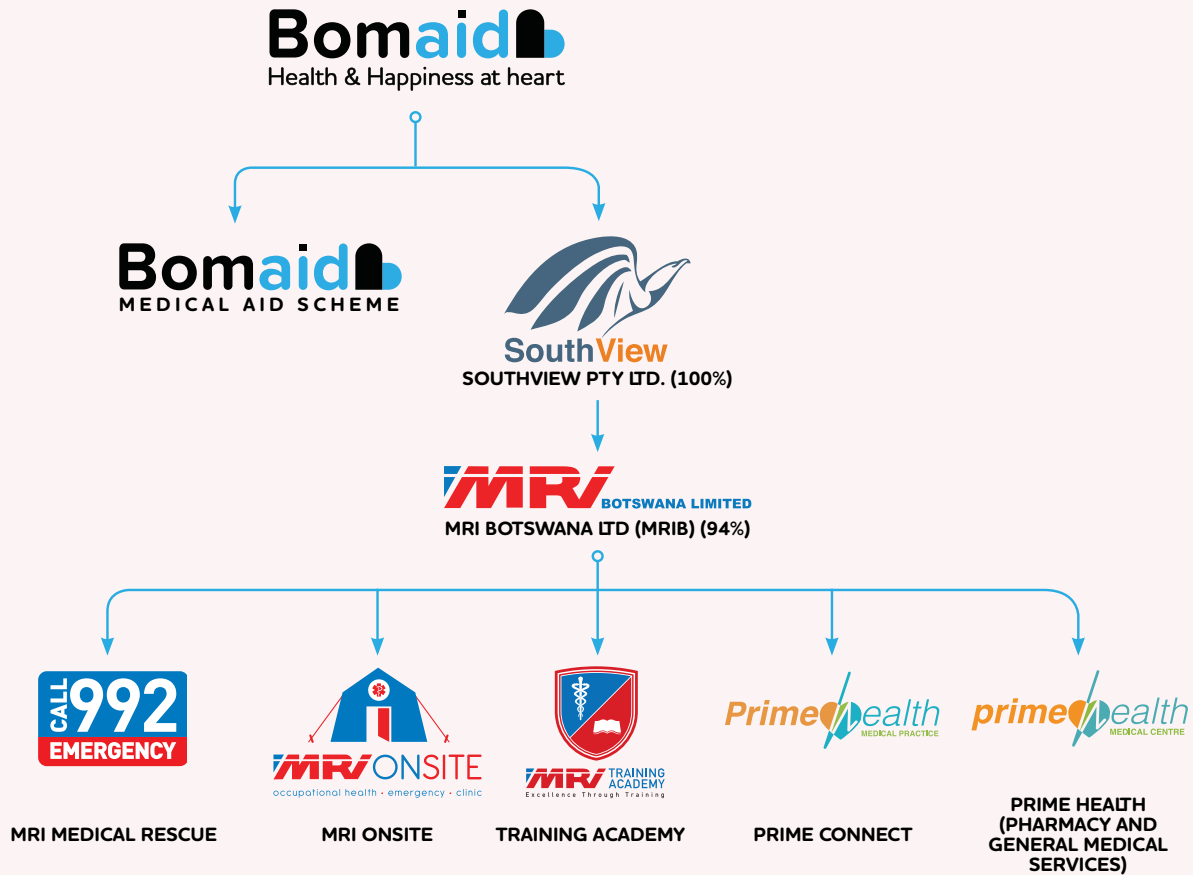
**Bomaid**   
Health & Happiness at heart



**MRI** BOTSWANA LIMITED

MRI is the sole non-listed investment held by Bomaid. This is held through a 94% stake held by Southview (Pty) Ltd which is wholly owned by Bomaid.

## Who we are Continued



# Governance Overview



Our governance approach is supported by our core values of teamwork, urgency, consistency, passion for wellness, and accountability.

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# Governance

**The Bomaid Board of Trustees is the highest governing body, ensuring that the Group is led in an ethical and responsible manner. Our governance approach is supported by our core values of teamwork, urgency, consistency, passion for wellness, and accountability.**

Good governance supports the achievement of our strategic objectives and our long-term sustainability. In addition, our governance approach contributes to ensuring the governance outcomes of an ethical culture, good performance, effective control, responsible corporate citizenship, and legitimacy. Our actions set the tone throughout the Group by demonstrating our commitment to the integrity and reputation of Bomaid.

Ethical approach adopted by Bomaid involves leading Employees to build good relationships

based on respect and trust. The Board is confident that leading with integrity, honesty, fairness, equity, justice, and compassion result in sustainable long-term success. With these standards having been set and leadership living by them, the Group is also expected to emulate. Issues relating to integrity, honesty, fairness, equity, justice, and compassion have been addressed in the Internal Policies, Conditions of Service for Employees, and the Code of Conduct for The Board of Trustees to align the culture to the values of the organization. The documents clarify Bomaid's vision, mission, values, and principles, linking them with standards of professional conduct and they also serve as valuable reference on issues relating to ethics within the Group. Contracting on adherence to the values of the organization by Employees is done during performance contracting for the year with an appraisal done biannually.

Appropriate governance checks and balances are in place and we remain committed to our code of ethics, which is a key tenet of our governance efforts.

## Governance Continued

Our governance efforts extend beyond achieving regulatory and legislative conformance, towards ensuring that The Board performs and adds value to the Group through its oversight, leadership, and strategic guidance.

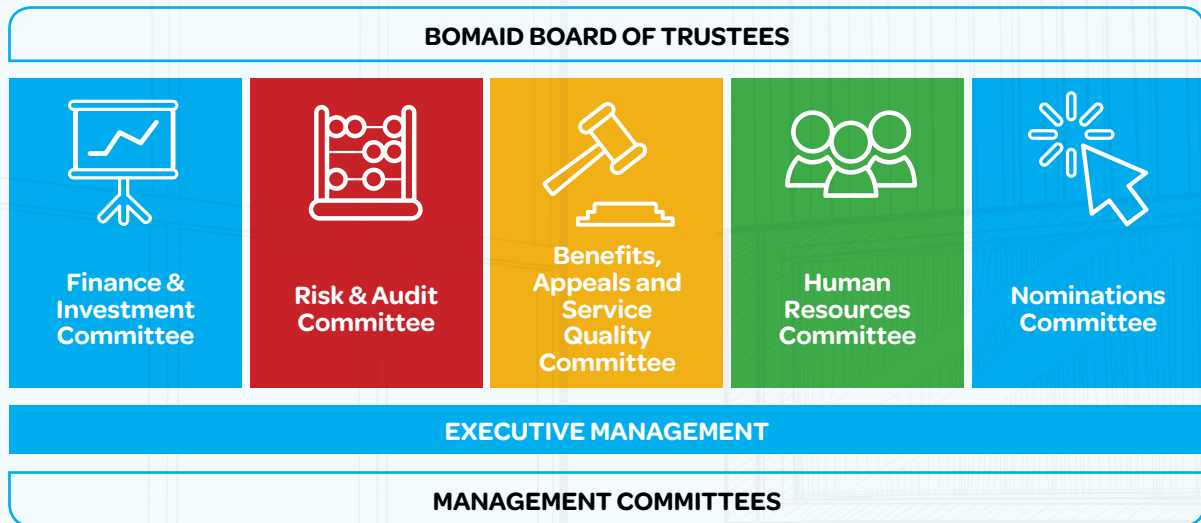
Having recognised the need to have a strong risk management process, The Board has put in place a framework, policies and practices that will ensure that Bomaïd remains competitive and sustainable. The Board of Trustees remains responsible and committed to setting the Group's strategic direction, developing key policies, approving budgets, monitoring implementation of the approved strategy and ensuring that there is full compliance with all regulatory requirements. These responsibilities are achieved through a systematic process of comprehensive reporting to The Board of Trustees & functional Committees, and The Board is responsible for ensuring that reporting standards conform to the principles laid out in The Society's Book of Rules and other internationally recognised reporting codes.

The Board of Trustees remains committed to supporting good governance as the benefits of ethical leadership and a well-run Fund accrue to the Customers. The Book of Rules entrusts The Board with control and supervision of the general business of the Group. Good governance increases stakeholder confidence and enables better decision making for the benefit of Customers. The Trustees are satisfied that they have fulfilled their responsibilities to administer the assets of Bomaïd with due skill and care, and in accordance with its charter for the reporting period. The Board delegates authority for management of the Group's activities to the Executive and is comfortable that the delegation of authority framework ensures a clear division of responsibilities between Management and The Board and that no Executive has unfettered authority. There is also a clear division of responsibilities between the Chief Executive Officer and Board Chair, and Trustees. The Board subscribes to the principles contained in the King IV report and our application of the principles and practices is disclosed in this report.

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## Governance Continued

The governance structure for Bomaïd during the reporting period was as follows:





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## Governance Continued

### Board of Trustees



**Mr. E.S. Maite**  
Board Chairperson



**Mr. F. Ferguson**  
Vice Chairperson



**Mr. M. Mokgosana**  
Chief Executive Officer



**Mr. J. Ghanie**  
Trustee



**Dr. B. Mhozya**  
Trustee



**Mr. O. M. Ramasedi**  
Trustee



**Dr. R. Lebelonyane**  
Trustee



**Mr. L. Klein**  
Trustee



**Mr. L. Motladiile**  
Trustee





**Mr. M. Mokgosana**  
Chief Executive Officer 1

**Mr. E.S. Maite**  
Board Chairperson 2

**Mr. F. Ferguson**  
Vice Chairperson 3

**Mr. J. Ghanie**  
Trustee 4

**Dr. B. Mhozya**  
Trustee 5

**Mr. O. M. Ramasedi**  
Trustee 6

**Dr. R. Lebelonyane**  
Trustee 7

**Mr. L. Klein**  
Trustee 8

**Mr. L. Motladiile**  
Trustee 9

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## Governance Continued

### Executive Management



**Mr. M. Mokgosana**  
Chief Executive Officer



**Mr. T. Kubu**  
Chief Operations Officer



**Ms. G. Busang**  
Chief Finance Officer



**Ms. G. Kootlole**  
Chief Human Resources Officer



**Ms. T. Mohutsiwa**  
Head of Information Technology  
(Acting)



**Mr. M. Nlelya**  
Head of Legal Services

## Governance Continued

### Governance Outcomes

The past year's environment has necessitated increased oversight and action from The Board of Trustees. We've come through this challenging period having provided direction to the Executive that has been implemented and resulted in enhancement to our performance. Below we highlight a few of the key governance actions and how they have been implemented.



#### What we said we'd do in 2021

Arrange training for Trustees on Governance and Ethics

Develop a Board Succession Planning policy for Board Trustees outlining the process to be followed when replacing Trustees. The policy also aims to ensure that the following objectives are met;

- Identification and training of Trustees to ensure no loss of institutional memory and no loss of key expertise.
- Reviewing and confirming the desired expertise and qualifications for new Trustees.
- Identifying potential Trustee candidates.
- Approaching the potential candidates in advance to let them know of The Board's interest in their services.



#### Our delivery on our commitments

- An Ethics and Governance Training was extended to The Boards and Executive Management of the Group covering the following areas;
  - Ethics in healthcare
  - King IV – Integrated Reporting

- The Board approved a Board Succession Policy. The skills mix of The Board was reviewed and the critical skills necessary for the effective functioning of The Board were identified and included in the policy.
- Identification of potential candidates for appointment to The Board is ongoing with the view of appointing the appropriate candidates in the event of any vacancy.
- In 2022, The Independent Board Chairman is due to retire and a new Chairman has already been identified among the surviving Trustees.

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## Governance Continued

### Governance Outcomes Continued



#### What we said we'd do in 2021

Succession planning for CEO (Chief Executive Officer)

- Identification of potential successors for the position of CEO.
- Reviewing and confirming the desired expertise and qualifications for new Exco Members.
- Identifying potential C-Suite candidates.
- Assigning a Coach to some of the potential candidates to prepare them to succeed to the identified roles.





#### Our delivery on our commitments

- Several discussions were held with The Board of Trustees with regards to the training of Executives to close any succession gaps and ensure that there is a strong bench for immediate succession.
- The Fund continues to sponsor the training of Executives to develop knowledge and skills to strengthen the bench.
- The Board has considered proposals for increasing the bench for potential successors to the role of CEO to other Senior roles within the Group.
- Succession planning has also been extended to identify successors for other Executive Management roles.
- The Group has confidence that it has the policies and tools to identify, secure and retain talent that can strengthen the bench strength.
- The Board has committed to annual reviews for CEO successors and succession for other critical roles across the Group.

## Governance Continued

### Governance Outcomes Continued

 <b>Other governance actions taken during 2021</b>	 <b>What we achieved</b>
<ul style="list-style-type: none"> <li>• Skills mix, board age, diversity, and gender balance</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment of another Medical Doctor increased the number of clinical experts in The Board from one to two.</li> <li>• The Board age of Trustees was diversified comprising a mix between average old and young Trustees.</li> <li>• The number of female Trustees was increased from two to three to improve gender representation.</li> </ul>
<ul style="list-style-type: none"> <li>• Focus on ICT Governance</li> </ul>	<ul style="list-style-type: none"> <li>• ICT Governance Principles, Policies, and Frameworks adopted are being implemented in line with COBIT Framework.</li> <li>• Compliance to King IV principles on IT Governance.</li> <li>• Governance on Cybersecurity has been strengthened.</li> </ul>
<ul style="list-style-type: none"> <li>• Enterprise Risk Management (ERM)</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated Risk and Compliance function approved and resourced.</li> <li>• ERM Framework approved, and annual plan approved and progress reported at Board.</li> <li>• Risk capability enhanced on The Board.</li> </ul>
<ul style="list-style-type: none"> <li>• Conflict of interest for Board Members who sit in subsidiary Boards</li> </ul>	<ul style="list-style-type: none"> <li>• The Board appointed a consultant to advice on this and is considering operationalization of the recommendations.</li> </ul>
<ul style="list-style-type: none"> <li>• Weak Control Environment</li> </ul>	<ul style="list-style-type: none"> <li>• The Risk and Control Rigour process was implemented in 2021.</li> <li>• The Board is also considering the restructuring of the Internal Audit function.</li> </ul>

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## Governance Continued

### GOVERNANCE FOCUS AREAS FOR 2022

#### BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY (BAOA) GOVERNANCE REVIEW

In 2020, BAOA carried out a Financial Reporting Monitoring and Corporate Governance Review of the Group. Below are the issues that have been highlighted for the attention of The Board:

- **Inadequate disclosures** – To the greatest extent possible, the disclosures highlighted in the review have been addressed in the current report. This will continue to be prioritised for subsequent reporting.
- **Lack of Board Chairperson and CEO succession planning** – The approved Board Succession Policy and Succession Plan for the role of CEO together with the activities alluded in the report had sought to address the matter. This will remain a key focus area for 2022.
- **Non-Compliance with laws regulating health/drugs safety standards.** Management continues to review and refine its processes to enable early identification of expired drugs and those drugs approaching expiry date.

#### NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY (NBFIRA)

While the industry still awaits the promulgation of the NBFIRA regulations, The Regulator has identified the following as compliance guidelines for medical aid funds.

- Compliance to the Waiver Letter issued in 2013 by NBFIRA waiving Bomaid from licensing pending promulgation of Medical Aid Funds Regulations.
- Compliance to Related Party Guidelines.
- Establishing a Compliance function and designating a Compliance Officer for purposes of complying with the Financial Intelligence Act and Preventing Financial Crimes.



## Governance Continued

### CONTROL ENVIRONMENT

- Strengthening of the function at Board and operational levels.
- Strengthening of the control environment through Risk and Control Rigour Process.
- Active monitoring of findings and management's commitments dates and actions for closing the findings
- Major process mapping and documentation.
- Further automation and optimisation of processes.
- Contracting with Service Providers to manage fraud waste and abuse.
- Profiling high claiming service providers to assess fraud waste and abuse.
- Introduction of clinical controls and improved processes.

## Governance Continued

### THE BOARD OF TRUSTEES

The Board of Trustees is composed of ten (10) Trustees. The Society's Book of Rules provides that Four (4) Members are elected by Member companies and appointed by the General Membership. Two (2) Trustees are Members of Bomaid nominated by any other Member of The Society and elected by the General Membership at the Annual General Meeting. Three (3) independent Members are appointed by the six (6) Trustees

appointed by the General Membership. The Board further includes one Ex- Officio Member, being the Chief Executive Officer who is also The Principal Officer and is appointed by The Board. The elected Trustees serve for a maximum of two terms of three years each. The Board of Trustees Chairperson and Deputy Chairperson are elected from among the nine (9) Non-Executive Trustees. Mr Emmanuel Maite and Mr Fergus Ferguson were the Chairperson and Deputy Chairperson, respectively.

The Board has satisfied itself that, in complying to the provisions of the Society's rules, it has a sufficient mix of knowledge, skills, experience, independence, age, gender and the categorisation of its Board Members.

Trustee: Emmanuel Maite			
Role	Gender	Committees	Qualifications
Independent Non-Executive Chairperson	M	<ul style="list-style-type: none"> <li>Nominations (Chair)</li> </ul>	<ul style="list-style-type: none"> <li>BSc (Public Administration), University of Botswana</li> <li>MSc (HR Management), Rutgers University, New Jersey</li> </ul>
	Age 48		
Appointment date October 2015 Chairperson since October 2020		<b>Background</b> <ul style="list-style-type: none"> <li>Former Head of Human Resources at Botswana Agricultural Marketing Board (BAMB), De Beers Prospecting, Botswana Savings Bank, University of Botswana, and Botswana Development Corporation.</li> <li>Served as the General Manager responsible for Botswana Development Corporation's Subsidiaries.</li> <li>Former HR Director at Botswana Examinations Council.</li> <li>Served as a Directors of Mashatu Nature Reserve (Pty) Ltd, Lion Park Amusement Park (Pty) Ltd, Phakalane Property Development (Pty) Ltd</li> <li>Served as the HR Expert Advisor of the Public Procurement and Asset Disposal Board (PPADB) Board of Directors.</li> <li>Former Chairman of The Board of Directors of MRI Botswana Limited.</li> </ul>	

## Governance Continued

Trustee: Fergus Ferguson			
<b>Role</b> Deputy Chairperson/ Non-Executive	<b>Gender</b> M	<b>Committees</b> <ul style="list-style-type: none"> <li>• Risk &amp; Audit</li> <li>• Benefit, appeals &amp; service quality</li> <li>• Human Resource &amp; compensation</li> <li>• Southview (Pty) Ltd</li> </ul>	<b>Qualifications</b> <ul style="list-style-type: none"> <li>• BAcc, University of Botswana</li> <li>• MSc (Strategic Management), the University of Derby.</li> </ul>
	<b>Age</b> 41		
<b>Appointment date</b> July 2016 Deputy Chairperson since October 2020			<b>Background</b> <ul style="list-style-type: none"> <li>• Former Letshego Holdings Limited (LHL), Head of Group Credit Risk</li> </ul>

Trustee: Julius Ghanie			
<b>Role</b> Trustee/Non-Executive	<b>Gender</b> M	<b>Committees</b> <ul style="list-style-type: none"> <li>• Finance &amp; Investment</li> <li>• Risk &amp; Audit</li> <li>• Benefit, appeals &amp; service quality (Interim Chair)</li> </ul>	<b>Qualifications</b> <ul style="list-style-type: none"> <li>• BSc (Hons) in Computer Science and MSc in Information Systems Management from the universities of Edinburgh and Liverpool in the United Kingdom.</li> <li>• Executive Leadership Programme, Gordon Institute of Business Science, South Africa.</li> </ul>
	<b>Age</b> 54		
<b>Appointment date</b> June 2017			<b>Background</b> <ul style="list-style-type: none"> <li>• Serving as ICT Director for the Bank of Botswana since 2004.</li> <li>• Served as a member of the Curriculum Advisory Committee at the University of Botswana Computer Science Department in 2010, for a period of two years.</li> <li>• Lead Coordinator of the SADC Central Banks IT security with special emphasis on cyber threats since 2012.</li> </ul>

Trustee: Oaitse Ramasedi			
<b>Role</b> Trustee/Non-Executive	<b>Gender</b> M	<b>Committees</b> <ul style="list-style-type: none"> <li>• Risk &amp; Audit (Chair)</li> <li>• Finance &amp; Investment.</li> </ul>	<b>Qualifications</b> <ul style="list-style-type: none"> <li>• Fellow Member of the Chartered Institute of Management Accountants.</li> <li>• Master of Arts in Theology and Religious Studies from the University of Botswana.</li> <li>• Bachelor of Commerce (Accounting) from the University of Botswana.</li> <li>• Certificate in Pastoral Theology from the University of Botswana.</li> </ul>
	<b>Age</b> 58		
<b>Appointment date</b> October 2020			<b>Background</b> <ul style="list-style-type: none"> <li>• Chief Financial Officer at Botswana Power Corporation.</li> <li>• Former Chief Executive Office at Non-Banking Financial Institutions Regulatory Authority (NBFIRA).</li> <li>• Former Chief Executive Officer at National Development Bank.</li> </ul>

## Governance Continued

Trustee: Dr Refeletswe Lebelonyane			
Role Trustee/Non-Executive	Gender	Committees • Benefit, appeals & service quality • Human resources & compensation	Qualifications • Master of Public Health (MPH) - Medunsa School of Public Health, South Africa, 2003 • Diploma Postgraduate in Public Health- Medunsa School of Public Health, South Africa, 2002 • Postgraduate Certificate in internal medicine & surgery- St. Petersburg Medical Academy in internal Medicine & Surgery, 1996 • Medical Degree- St. Petersburg Medical Academy in internal Medicine & Surgery, 1995
	Age		
Appointment date February 2021		Background • Currently she is the program manager for Botswana-Rutgers Partnership for Health. • Former Director of Study Interventions at Botswana Combination Prevention Project (BCPP), Ministry of Health. • Former Director HIV/Aids Prevention Care and Support., Ministry of Health. • Former Director of Primary Health Care, Ministry of Local Government. • Former Public Health Specialist, City of Francistown. • Former Consultant at Rutgers Global Health Institute. • Former Public Health Specialist at Botswana Harvard AIDS institute, Gaborone. • Former Senior Medical Officer at Ministry of Health-Nyangabgwe Referral Hospital and Princess Marina Hospital.	
Trustee: Leroy Klein			
Role Trustee/Non-Executive	Gender	Committees • Risk & Audit • Benefit, appeals & service quality • Southview	Qualifications • Associate member of the Botswana Institute of Chartered Accountants (ACPA Bots) • Fellow member of the Association of Certified Chartered Accountants (FCCA-UK) • Treasury Operations certificate (ACI-Operations) • Treasury Dealing certificate (ACI-Dealing)
	Age		
Appointment date February 2021		Background • Chief Risk Officer at ABSA Bank Botswana Limited. • Former Country Treasurer at ABSA Bank Botswana Limited. • Former Senior Auditor at KPMG Botswana.	
Trustee: Letlhokwa Motladiile			
Role Trustee/Non-Executive	Gender	Committees • Human resources & compensation (Chair) • Benefit, appeals & service quality • Nominations	Qualifications • MSc Human Resource Management from University of Salford, Manchester, UK. • Bachelor of Arts from University of Botswana.
	Age		
Appointment date October 2020		Background • Senior Manager of Organizational Development at Water Utilities Corporation. • Former Hospital Manager at Ministry of Health. • Former Principal Manpower Planning at Ministry of Local Government.	

## Governance Continued

Trustee: Dr Botho Mhozya			
Role Trustee/Non-Executive	Gender F	Committees • Benefits, appeals & service quality	Qualifications • Bachelor of Medicine/Bachelor of Surgery from Monash University; Melbourne, Australia • Discovery Advanced Peak Performance Program (APPP) /Gordon Institute of Business Science   South Africa
	Age 39		
Appointment date November 2021		Background • Head Of Health Professional Risk-Discovery Health • Former Head Of Health Provider Relations & Managed Care, Medical Advisor-Botswana Medical Aid Society (Bomaid) • Former Senior Medical Officer-Lenmed Bokamoso Private Hospital • Former Adolescent Services Medical Officer-Botswana-Baylor Children's Clinical Centre of excellence • Former Medical Officer – Accident and Emergency-Princess Marina Hospital • Former Medical Officer-Paediatrics-Bokamoso Private Hospital • Former Medical Officer-Paediatric Surgery/Princess Marina Hospital	
Trustee: Moraki Mokgosana			
Role CEO / Principal Officer / Executive Director	Gender M	Committees • Finance & investment • Benefits, appeals & service quality • Human resources & compensation • Nominations • MRI • Alpha Access	Qualifications • BCom (Accounting) Degree from the University of Botswana • Master of Business Leadership from the School of Business Leadership at the University of South Africa.
	Age 51		
Appointment date November 2013		Background • Former Managing Director at G4S Botswana Limited. • Former Managing Director at Collection Africa/CRB Africa Botswana. • Former Business Development Executive at Botswana International Financial Services Centre. • Former Project Accountant at Kgalagadi Breweries Limited. • Former Financial Controller at Orange Botswana. • Served as a board member and chairperson of Metropolitan Health Botswana (Pty) Ltd • Trustee of the Kabelano Trust and serves on The Boards of the Botswana Meat Commission, MRI Botswana Limited and The Board of Health Funders of Southern Africa.	

## Governance Continued

### Board Demographics

#### Independence

01 

Executive

08 

Non-Executive

#### Age

30 - 49

04

50 - 59

05

#### Tenure

05

0 - 2 years

03

3 - 6 years

01

6 - 9 years

#### Gender



77.7%

Male Members



22.2%

Female Members

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## Governance Continued

### CHIEF EXECUTIVE OFFICER'S CONTRACT

Mr Moraki Mokgosana is on a five-year contract which effected in November 2021.

#### Terms of the Contract

The contract for the Chief Executive Officer provides for the following terms:

- A termination notice period of 2 months or one month salary in lieu of notice.
- Termination shall be for misconduct, incapacity (poor performance or sickness or operational requirements).
- Contract can be terminated without notice for serious misconduct.
- Employer to notify the Employee 3 months before expiry of contract of intention to extend. Employee to notify employer 6 months before expiry of contract of desire to serve another term.
- He participates in the Executive Incentive Policy

#### Other Commitments of the Chief Executive Officer

The Chief Executive Officer is a Board Member at MRI Botswana Limited, Botswana Meat Commission, and The Board of Health Funders of Southern Africa.

#### Succession Planning for the Role of Chief Executive Officer

Succession planning for the role of Chief Executive Officer is considered and approved by The Board every year.

Identified successors are exposed to training and coaching to improve their readiness to succeed the incumbent in the role.

### CORPORATE GOVERNANCE REPORT

#### Board of Trustees Statement on Governance

##### Leadership

Botswana Medical Aid Society Board of Trustees, working closely with The Bomaid Executive

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## Governance Continued

Management, has committed itself to elevated levels of ethical leadership, integrity, and good governance. The Group's governance framework is based on the principles of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, and integrated thinking and reporting.

The philosophy of sound governance has been entrenched across the organization and has been incorporated into the values of the organization to create sustainable value and enhance long term performance.

The Board holds the view that for Bomaid to remain and continue being sustainable, and a key stakeholder in the health care industry, it must provide the necessary oversight to ensure that the Group has a solid reputation.

The Trustees have a fiduciary duty to administer Bomaid's assets with due skill and care expected from a Member in the position of a Trustee. The Board is therefore accountable to the Members

of the Society, who are the beneficiaries of the assets of Bomaid. The Board is duty bound to act in accordance with the document creating the medical aid fund and to Bomaid's best interest at all times. The Board has committed itself to the highest standards of Corporate Governance through adopting and applying the principles enshrined in the King IV Report and adhering to The Board Charter which outlines The Board's duties and responsibilities.

### Organizational ethics

The Book of Rules, Code of Conduct, Conditions of Service, and values of Bomaid are the imperatives that drive ethical culture at the Society. The orientation and induction process for newly employed Staff and Trustees is a fundamental process towards achievement of ethical culture. Ethical breaches can result in a worsening reputation that may affect Customer acquisition, as well as attraction and retention of Employees. Measures are in place to ensure that there is ethical culture within Bomaid which will translate to preservation of the assets of Customers.



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## Governance Continued

A Whistle Blowing Policy is in place which enhances good governance and transparency by providing an avenue for raising concerns related to fraud, corruption or any other misconduct by employees, business partners or any other third party dealing with the Group.

Any reports received are investigated and the outcomes reported at the Risk and Audit Committee. Remedial measures are recommended for implementation by Management.

The benefits that are derived from proper management of ethics are the following:

- a) Asset protection
- b) Improved productivity and teamwork
- c) Employee retention
- d) Strong public image
- e) Ethical decision making
- f) Customer loyalty and retention

### **PLANNED AREAS OF FUTURE FOCUS**

In 2020, a Fraud and Ethics Survey was undertaken to assess awareness of the Tip-Off Anonymous service by Employees and knowledge of the Whistle Blowing Policy.

Bomaid undertook a campaign to sensitise service providers and Customers on its Tip-Off Anonymous service to enable reporting of unethical conduct and the reception of the service was impressive.

### **GOVERNING BODY**

#### Board Structure

The Board of Trustees is composed of ten (10) Trustees. The Society's Book of Rules provides that Four (4) Members are elected by Member Companies and appointed to The Board by the General Membership of the Society. Two (2) Trustees are Members of the Society nominated by any other Member of the Society and elected by the General Membership at the Annual General Meeting. Three (3) independent Members are

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## Governance Continued

appointed by the six (6) Trustees appointed by the General Membership. The Board further includes one Ex- Officio Member, being the Chief Executive Officer who is also The Principal Officer of the Society and is appointed by The Board. The elected Trustees serve for a maximum of two terms of three years each. All Trustees appointed to The Board are vetted by NBFIRA and should pass the fit and proper test before assuming office.

The Board of Trustees Chairperson and Deputy Chairperson are elected from among the nine (9) Non-Executive Trustees. Mr Emmanuel Maite was appointed Chairman of The Board while Mr Fergus Ferguson was elected Deputy Chairman after retirement of the former Board Chairman and Deputy Chairman on the 9th October 2020.

The Board is satisfied that it is composed of a mix of knowledge, skills, experience, diversity, and independence to carry out its duties. In assessing its composition, The Board seeks to achieve a balance between gender and age diversity.

One Trustee, Mrs Lydia Andries resigned from The Board of Trustees and Boards of subsidiary entities of Bomaid following her appointment to the role of Managing Director at Associated Fund Administrators Botswana. A process has been commenced to close the vacancy.

### RETIRED/RESIGNED TRUSTEE

Name	Gender	Expertise
Mrs Lydia Andries (Resigned)	Female	Actuarial Science

### Role of the Governing Body

The Board of Trustees is bestowed with the responsibility for sound and proper management of the organisation. In the execution of their duties, Board Members are expected to act with due care, diligence, skill, good faith and in the best interests of Bomaid and its Members. Processes are in place to ensure that the Trustees declare any conflict of interest that may arise. The Board Members also have a duty to act in accordance with the Botswana Medical Aid Society Book of Rules & other governing policies and codes of the Fund.

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## Governance Continued

### Role of The Board Chairman and His Independence

The Board Chairperson is responsible for leading The Board and focusing it on strategic matters, overseeing the business of the Group and setting governance standards. He presides over Board meetings & ensures that meetings run smoothly, remain orderly, and Board Members work collectively at achieving a consensus on Board decisions. He also plays a pivotal role in fostering the effectiveness of The Board and individual Trustees. The role of Independent Chairman was held by Mr O Mabote until the 9th of October 2020 when he retired and Mr E.S. Maite was appointed.

A recommendation will be motivated to the Membership for the position of a Lead Independent Trustee during the next cycle of review of the Book of Rules. This process will be subject to the requirements prescribed in the impending Medical Aid Funds Act.

### Board Evaluation

The Board Charter requires the evaluation of its own performance and that of its Committees, its Chairperson, and individual Members, to support continued improvement in performance and

effectiveness. A Board evaluation was conducted in 2021. An action plan has been developed to address the areas of concern observed during the exercise.

### Succession Planning for The Board

A Board Succession Policy was approved by The Board and implementation of the policy is ongoing. The aim of the policy is to ensure that the Fund takes a strategic approach to Board continuity and to ensure that a framework is in place for an effective and orderly succession of Trustees that will result in the collective knowledge, skills, and experience necessary for The Board to govern effectively.

The Deputy Chair is a successor to the position of Board Chairman. An arrangement is in place for the Deputy Chairman to chair some of The Board meetings as a way of exposing him to Board procedure and mentoring for succession planning purposes. A Trustee training budget is put in place annually to develop and capacitate Trustees in the discharge of their responsibilities.

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## Governance Continued

### BOARD MEETINGS

In terms of the Book of Rules, The Board of Trustees sits at least four (4) times a year. During the year, The Board met eight (8) times, six (6) of the meetings were scheduled whilst the other two (2) were special strategy meetings.

#### Attendance Register

P-Present/A-Absent/Apology/NA Not Applicable/Trustee not on Board \*Alternate Member

Date of Board Meeting	6/4/21	10/4/21	23/4/21	17/6/21	22/9/21	27/9/21	6/11/21	13/12/21
Emmanuel Maite	P	P	P	P	P	P	P	P
Fergus Ferguson	P	P	P	P	P	P	P	P
Lethokwa Motladiile	P	P	P	P	P	A	P	P
Leroy Klein	P	A	P	P	P	A	A	P
Lydia Andries	P	P	P	P	P	P	P	P
Refeletswe Lebelonyane	P	A	P	P	P	P	P	P
Julius Ghanie	P	P	P	P	P	P	P	P
Oaitse Ramasedi	P	P	P	P	P	P	P	P
Botho Mhozya	N/A	N/A	N/A	N/A	N/A	N/A	P	P

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## Governance Continued

### BOARD COMMITTEES

The Society's Book of Rules and Board Charter provide for the establishment of designated Board Committees, to assist The Board with delivery of its mandate. The Book of Rules and Board Charter provides that The Board of Trustees may delegate some of its powers to these designated Committees and this is in accordance with good corporate governance standards. The Board ensures that the delegated authority of Committees is express and that the Committees work in line with the terms of reference as provided in the Committee Charters. The Committees are mandated to make recommendations of their final decisions to The Board for approval. The delegation of authority to Committees does not absolve nor transfer any of the responsibilities of The Board to the respective Committees, and The Board remains accountable to the Members of the Society. The Board Committees comprise the Finance and Investment Committee; Risk and Audit Committee; Benefits, Appeals and Service

Quality Committee, the Human Resource and Compensation Committee and the Nominations Committee.

Additionally, the organisation has a Delegation of Authority Policy and Matrix which sets out the following:

- a. Matters specifically reserved for determination by The Board and those matters delegated to Management.
- b. Matters reserved for specific roles in the organization.
- c. Establishes expense approval limits within the organization.

There was adherence to the limits set in the policy and no deviations were noted during the reporting period. The delegation of authority has led to clarity and the effective exercise of authority.

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## Governance Continued

### Finance & Investment Committee

Lydia Andries	Chairperson (resigned in December 2021)
Oaitse M Ramasedi	Member
Julius Ghanie	Member
Moraki Mokgosana	Ex-Officio

The Finance & Investment Committee comprises at least three Members. The main function of The Committee is to assist The Board in discharging its duties and general oversight function on financial and investment matters of the organization. The Committee continuously review reports on investment performance, actuarial reporting and management accounts and makes the requisite recommendations on investment and financial matters to The Board for approval. The duties of the Committee are:

### Financial Management

In relation to financial matters, the Committee is responsible for:

- Devising, reviewing, and recommending any amendments to the Financial Regulations and

other finance and investment policies of the Group.

- Presenting the Group's annual budgets to The Board for approval.
- Monitoring execution of the budget approved by The Board.
- Presenting to The Board, the Group's financial statements and management accounts on a quarterly basis and advising The Board on matters pertaining to the financial statements and management accounts.

### Investment Management

In relation to investment matters, the Committee is responsible for:

- Devising, reviewing, and recommending any amendments to the investment policies of the Society.
- Giving effect to the Society's investment policies as approved and adopted by The Board of Trustees.
- Ensuring that responsible investment is practised by The Society to promote good governance and the creation of value by the companies in which it invests.

## Governance Continued

- Recommending to The Board, the appointment and termination of the Asset Managers and Investment Consultant and monitoring their performance.
- Examining recommendations on investment related matters and seeking approval of The Board of Trustees where appropriate.
- Delegate to Management and/or outsourced Asset Managers, the implementation of responsible investment policy and ensure accountability for complying with formal mandate.

### Actuarial Matters

In relation to actuarial matters, the Committee is responsible for:

- Examining the monetary impact of proposals on the Bomaid’s Annual Benefits and Contribution Review in liaison with the Benefits, Appeals and Service Quality Committee.

### Attendance Register

P-Present/A-Absent/Apology/NA Not Applicable/Trustee not on Board

Date of Meeting	23/3/21	23/4/21	31/5/21	9/9/21	29/11/21
Lydia Andries	P	P	P	P	P
Julius Ghanie	P	P	P	P	P
Oaitse Ramasedi	P	P	P	P	P

### Risk & Audit Committee

Oaitse O Ramasedi	Chairperson
Leroy Klein	Member (From the 11th February 2021)
Lydia Andries	Member (Resigned in December 2021)
Julius Ghanie	Member
Fergus Ferguson	Member
Moraki Mokgosana	Ex-Officio

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## Governance Continued

The Risk and Audit Committee comprises at least three Members. The Committee comprises of Members who are highly skilled in risk management, information technology, actuarial sciences and finance. All of the Members are Non-Executive Trustees. The Committee assists The Board in relation to discharging its responsibility of relating to safeguarding assets, effective internal control systems and ensuring that the financial statements are prepared in compliance with all applicable legal and regulatory requirements and accounting standards. The Committee continuously reviews reports on management of internal controls, risk management and makes the requisite recommendations to The Board for approval. Some of duties of the Committee are:

### Financial Reporting

- Monitoring and oversight function on the reliability, quality and integrity of the financial statements of the Society at year end.
- Recommending approval of the audited financial statements to The Board.

### Internal Controls

- Review the adequacy and effectiveness of the Society's internal controls.
- Review and approve the statements to be included in the annual report concerning internal controls and risk management.
- Ensure there is an effective combined assurance framework.

### Risk Management Process

- Reviews the risk management framework and policies.
- Review the adequacy of processes for identifying monitoring and managing risks.
- Reviewing the Societies procedure for reporting and detecting fraud.

### Internal Audit

- Monitor and review the effectiveness of the Society's internal audit function in the context of the Fund's overall risk management system.
- Oversee the selection process and recommend the appointment, termination and/or extension of the services of the Internal Auditor.



## Governance Continued

- Review the annual internal audit plan and recommend its approval by The Board.
- Review and monitor management’s responsiveness to the findings and recommendations of the Internal Auditor.
- Meet the External Auditor once every year, without management being present, to discuss their remit and any issues arising from the audit.

### External Audit

- Oversee the selection process and recommend the appointment, termination and/or extension of the services of the External Auditor.
- Review the findings of the audit with the External Auditor.

### Legal and Regulatory Compliance

- Review compliance to regulatory requirements and all other Laws of Botswana governing the Society.

### Corporate Governance

- Review reports and advice in relation to material corporate governance developments relevant to the Audit & Risk Committee.

### Attendance Register

P-Present/A-Absent/Apology/NA Not Applicable/Trustee not on Board

Date of Meeting	29/3/21	23/4/21	2/6/21	3/6/21	10/6/21	13/9/21	3/12/21
Oaitse M Ramasedi	P	P	P	P	P	A	P
Lydia Andries	P	P	P	P	P	P	P
Leroy Klein	P	P	A	A	A	A	A
Julius Ghanie	P	P	P	P	P	P	P
Fergus Ferguson	A	P	P	P	P	P	P

## Governance Continued

### Appeals, Benefits and Service Quality Committee

Julius Ghanie	Chairperson
Dr Refeletswe Lebelonyane	Member
Letlhokwa Motladiile	Member
Fergus Ferguson	Member
Moraki Mokgosana	Ex-Officio

This Committee assists The Board in carrying out its responsibility to assess appeals from The Society's Members and to foster a culture of service excellence. The Committee ensures that Bomaid fulfils its mission of providing competitive and diverse health care funding through innovation and service excellence while at the same time maintaining an appropriate balance between compassion, fairness and fiscal realism.

### Attendance Register

P-Present/A-Absent/Apology/NA Not Applicable/  
Trustee not on Board \*Interim Member

Date of meeting	23/3/21	24/5/20	24/11/21	29/11/21
Julius Ghanie*	P	P	P	P
Refeletswe Lebelonyane	P	P	P	P
Botho Mhozya	N/A	N/A	P	A
Fergus Ferguson	P	A	P	P
Letlhokwa Motladiile	P	P	P	A

### Human Resource And Compensation Committee

Letlhokwa Motladiile	Chairperson
Fergus Ferguson	Member
Lydia Andries	Member (Resigned in December 2021)
Refeletswe Lebelonyane	Member (From 16th February 2022)
Moraki Mokgosana	Ex-Officio

The function of this Committee is to advise The Board on Human Resource policies and strategies, including remuneration and the appointment of Officers of the Group. The Committee is charged with reviewing and offering counsel on the status of Bomaid's human intellectual capital. In addition, The Committee evaluates succession planning and table recommendations to The Board to approve Executive appointments.

This Committee is responsible for reviewing the remuneration policies of the organisation. In awarding annual increases to employees, consideration is given to the Group's performance, an employee's performance as well as economic conditions impacting the industry and geographical

## Governance Continued

market in which the organisation operates. The Committee is also responsible for the welfare of Board Members across the Group.

### Attendance Register

P-Present/A-Absent/Apology/NA Not Applicable/Trustee not on Board

Date of meeting	12/03/21	22/4/21	26/5/21	4/6/21	29/7/21	2/9/21	15/11/21
Letlhokwa Motladiile	P	P	P	P	P	P	P
Fergus Ferguson	P	P	P	P	P	P	P
Lydia Andries*	P	P	P	P	P	P	N/A
Refeletswe Lebelonyane	N/A	P	P	P	P	P	P

### Nominations Committee

Emmanuel Maite	Chairperson
Julius Ghanie	Member
Letlhokwa Motladiile	Member
Moraki Mokgosana	Ex-Officio

The function of this Committee is to supervise the nomination process of Trustees to The Board of Trustees of the Society and Directors in Boards where the Society has direct or indirect shareholding. Additionally, the Committee oversees and make appropriate recommendations on Trustee’s training needs and governance issues of the Society. The Committee did not have a

physical meeting during the reporting period but considered recommendations within its area of mandate via round robin resolution.

## BOARD REMUNERATION

The Human Resources Committee is responsible for determining the framework or broad policy for the remuneration of The Board of Trustees. The Annual General Meeting during its sitting of the 30th June 2017 made resolutions on Board fees payable to the Trustees and these are as follows:

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## Governance Continued

### Board Meetings

Chairperson	P7500
Trustee	P6500

### Committee Meetings

Chairperson	P7500
Trustee	P6500

A Task Force was appointed by the Membership during the Annual General Meeting held on the 30th of June 2021 to work with a consultant to undertake the following.

- Draft The Board Remuneration Policy
- Review The Board fees and allowances

The Trustees were paid total remuneration amounting to P1,227,450.00 during the reporting period broken down as follows.

### Total Board Remuneration

Mr E Maite	P189 000.00
Mr F Ferguson	P197 175.00
Dr R Lebelonyane	P119 925.00
Mr J Ghanie	P161 100.00

Mrs L Andries	P181 350.00
Mr OM Ramasedi	P144 975.00
Mr L Motladiile	P154 950.00
Mr L Klein	P61 425.00
Dr B Mhozya	P17 550.00

Remuneration above includes compensation for Trustees' attendance at Committee and adhoc meetings. The breakdown of remuneration by meeting type is as follows:

Board	P395, 175.00
Benefits, Appeals and Service Quality Committee	P81, 150.00
Finance & Investment Committee	P74, 100.00
Risk & Audit Committee	P140, 925.00
Human Resources & Compensation Committee	P135, 075.00
Other Assignments	P401, 025.00

## INVESTMENT POLICY

The Society is, in principle, a Benefit Society. The Society is therefore not taxed on receipt of subscriptions and income on investments. The Board of Trustees have a duty to approve an

## Governance Continued

appropriate strategy for The Society, monitor the performance of The Society's investments and make investment changes where necessary.

In 2020 The Board reviewed the Investment Policy and Strategy document that was approved in 2015 and adopted a strategy that enabled the Society to meet its liabilities and allows preservation of capital. The Strategy adopted is expected to provide a long-term return outcome of CPI+2 %. The Society will have some exposure to foreign investments in order to provide diversification.

The Society has adopted the following long-term strategic asset allocation:

Asset Class	% Allocation	Allocation Limits (%)
Local Equities	14	0-21
Local Bonds	28	22-42
Local Cash	28	20-50
Foreign Equities	18	0-27
Foreign Bonds	12	10-18
Foreign Cash	0	0-10
Alternative Investments	0	0-10

In 2015, Alexander Forbes Asset Management Consultants was tasked with the management of the Society's investments within the requisite legislative requirements, in accordance with the investment mandate, and in the best interest of The Society.

During the reporting period, the Bomaid portfolio was managed by two Investment Managers being BIFM and Ninety-One.

## REGULATORY AND COMPLIANCE

There is a Compliance Policy in place with the objective of providing a framework for the Society to manage its legal and compliance obligations. Reporting on compliance to policies and law is reported at the Risk and Audit Committee. The Society has an experienced Head of Legal Services and the Risk and Compliance Manager who guide on regulatory and compliance matters. The Society also has access to external specialist expertise that is not within the Fund.

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## Governance Continued

### Key Focus Areas During the Reporting Period

During the reporting period focus was on the following areas;

- Induction to capacitation the newly appointed Trustees to execute their responsibilities.
- Training of The Board on Investment Matters, Ethics and Governance.
- Addressing recommendations from The Board Evaluation Report
- Undertake a 360 degrees Evaluation for The Board, Committee, Trustees and The Board Secretary
- Alignment of processes to the King IV Code
- Alignment of operations to the Financial Intelligence Act through putting in place Know Your Customer (KYC) Tools.

### Planned Areas of Future Focus

Areas of focus for the ensuing year will be on the following;

- Closure of deals on new investment opportunities for the group
- Assessment of investment opportunities that will increase Bomaid value proposition

- Approval of The Board Remuneration Policy and revised Board fees by the Membership
- Continuance with interventions to be compliant to the FIA Act on KYC requirements.

## CORPORATE CITIZENSHIP

Bomaid has a Corporate Social Investment and Sponsorship Policy in place. The purpose of the policy is to formalise the Corporate Social Investment (CSI) & Sponsorship activities of Bomaid in line with its strategic intent. The Benefits, Appeals and Service Quality Committee of The Board is responsible for ensuring that there is coordination and adherence to the CSI & Sponsorship Policy.

Among the key CSI and Sponsorship activities undertaken in the year 2021 was the Gosemama Junior Secondary School library refurbishment as well as donation of some computers to the school. In addition to the foregoing, there was a commitment made by the Society to sponsor the Diacore and Gaborone half marathon, both were cancelled on account of COVID-19 related restrictions. The Fund is still committed to sponsor

## Governance Continued

these wellness activities which are aligned to its strategic direction.

Bomaid also participated in the following activities



**Donated P70 000** towards counselling and rehabilitation of rape victims

Donated to Team Uhuru Mount Kilimanjaro Expedition/Rape Awareness.

Embarked on a 50K for 50 Families where it



**Donated P50 000** worth of food to 50 families across Botswana.



**Awarded the Bomaid Excellence Award,**

which is done on an annual basis, to the best performing student at the University of Botswana under the Faculty of Health Sciences at the University of Botswana.

As a way of monitoring sponsored activities, reports are provided by the entities sponsored

and visitation is done to the sponsored projects to assess if resources are utilized for the purpose they were intended.

### RISK GOVERNANCE

The Risk and Audit Committee met with the External and Internal Auditors in the absence of Management to discuss matters that the Committee or Auditors believe should be discussed privately. Discussions were held around the need for Management to expedite closure on the outstanding findings to improve the control environment.

### QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

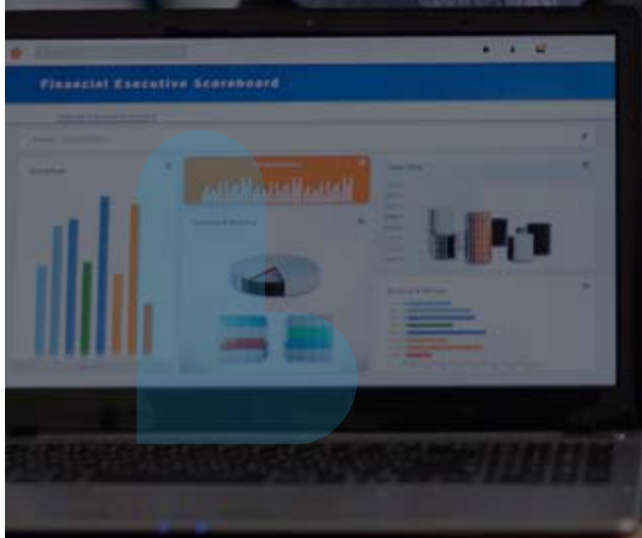
The Society has an outsourced internal audit function. A process will be undertaken in 2022 designed to evaluate internal audit activity's conformance with International Standards for the Professional Practice of Internal Auditing and an evaluation of whether Internal Auditors apply the Code of Ethics.

# Our Performance

- **Message from the Principal Officer**
- **Performance Overview**
- **King IV™ Alignment**



We are encouraged by the solvency levels that we have achieved and believe the Fund will remain sustainable into the foreseeable future.





# Message from the Principal Officer

**The year 2021 marked the end of our 2016 to 2021 turnaround strategy. This milestone coincided with two of biggest calamities of the modern era.**



**Mr. M. Mokgosana**  
Principal Officer

## Introduction

The COVID-19 pandemic was followed by another in the form of the Russian invasion on Ukraine. These two occurrences have highlighted how events in faraway countries can quickly culminate in a local catastrophe. They have also provided evidence of the important role of organisational leaders to always be looking to balance the immediate needs of today with the volatility, uncertainty, complexity and ambiguity (VUCA) of tomorrow.

Bomaid has not been spared from the challenges of the COVID-19 pandemic and, not for the first time, the medical aid fund has had to play a leading role in the battle against a pandemic. We remain grateful for the foresight of our principals to have the vision

to save for these rainy days by strengthening the balance sheet of Bomaid to support our Members and communities at times like these.

The regulatory environment has continued to evolve and is expected to do so with the advent of Anti-Money Laundering and Combating the Financing of Terrorism, increased oversight on governance and financial reporting, impending promulgation of regulatory instruments for medical aid funds, as well as the pressure for compliance with international goals like Universal Health Coverage as well as Sustainable Development Goals. It is against the backdrop of these and an increasing level of sophistication of the buyer of medical aid services that our 2022 to 2026 Isago strategy has been formulated. While the vision

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## Message from the Principal Officer Continued

to be a companion for health and wellness for our Members remains, wellness and fund sustainability remain key strategic pillars for the Fund.

Despite the substantial increase in our claims experience due to pay-outs for COVID-19, amounting to P100 million, we are encouraged by the 6.8% increase in Membership by the end of 2021 to 42,635. Our Group performance recorded a deficit of P102.0 million against a Scheme deficit of P101.9 largely due to the COVID-19 pay-outs and a one off cost for value added tax on imported services as well as increased capitation costs and some consultancy costs associated with the new strategy. Despite this loss, the balance of the Fund remained at a healthy seven (7) months. The availability of vaccines in the country has assisted in achieving an impressive vaccination rate of 64.3% thereby surpassing the global rate of 61.3% by the third week of June 2022. Despite the resurgence at the end of the year via the Omicron variant, there has been a significant reduction in the number of admissions, thereby reducing the pressure on the healthcare system and on the claims experience of the Fund.

The post COVID-19 economic recovery has been dampened by the invasion of Russia on Ukraine which has reinstated the pressures on global supplies resulting in downward revision of global growth projections and put further pressure on inflation mainly due to shortages of commodities like fuel that are produced in these countries. This is expected to affect disposable incomes and result in terminations of medical aid policies.

Statistics Botswana reports that between 2019 and 2021, there was a 3.4% decline in the



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## Message from the Principal Officer Continued

employed population resulting in a 3.8% increase in unemployment to 26% by 2021. The cash earnings increase of 10.8% to P5, 320 and the public sector salary increases as well as tax changes offer hope that there may still be some cushion against the rising inflation and increasing interest rates.

Despite the pressure on the Fund due to the claims experience, MRI experienced an 18% increase in revenue and recorded a nominal profit of P100 thousand after making a loss of P1.6 million in 2021. With an anticipated recapitalisation of the business in 2022 to finance strategic projects, there are expectations that the business should be in a position to diversify its revenue base and improve on its efficiencies to become more profitable.

### Performance against strategic targets

Following the go live of the Thobo Fund Administration system in 2020, a significant portion of the year 2021 was dedicated to the stabilisation of the Thobo Administration System and to reviewing processes to optimise the system and to allow for further integration and process efficiencies to further enhance the customer experience. Quantifiable

benefits of the system were experienced during the year due to improved cost efficiencies and improved employee and customer experience recorded.

### Our Customer Approach

Customer centricity remains a key tenet of our business. Our customer satisfaction survey results showed an improvement from 73.6% in 2019 to 74.8% by the beginning of 2021 while our Net Promoter Score increased from 13.8 to 17.96% over the same period. The organisation measured, for the first time, our Treating The Customer Fairly Score and attained a 74.1% score. While our stakeholders have identified some areas for improvement which are mainly in key account management, communications, turnaround times and access to our premises, we are encouraged by these gains – especially in light of the fact that at our first Customer Satisfaction Survey in 2013 we achieved a score of 66.2%. These measures remain critical key performance indicators in our Isago strategy and, to that end, will continue to be measured biennially with the next set of surveys expected to be conducted at the beginning of 2022.

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## Message from the Principal Officer Continued



### Our customer satisfaction survey results

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showed an improvement

73.6% in 2019



74.8% by the beginning of 2021

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74.1% score.

Treating The Customer Fairly Score.

In line with our vision to become a companion in wellness and health, our key objectives are to continue to optimise our processes and to leverage data for business intelligence and to strengthen our governance risk and compliance. This will be largely enabled through the leveraging of digital systems, improving brand affinity, and strengthening our partnerships.

#### Our People

Following from the adoption of the Isago strategy, a consultant was engaged to align organizational capability with the strategy of the “New” Bomaïd. It is envisaged that the structure will be approved by The Board in 2022 for implementation in 2023. This alignment process is a key determinant of the strategy and will be backed up by policies and procedures to attract, retain and motivate the right human capital to achieve the strategic objectives of the Fund.

#### Processes and Controls

Following from the implementation of the Thobo system, a key focus for Bomaïd was to optimize the key processes and to continue for further opportunities for automation and process enhancement. The alignment of these capabilities of the organization

## Message from the Principal Officer Continued


will be vital to ensure the successful delivery of our overall corporate strategy.

The MRI business has also been focused on streamlining their processes to deliver a more

consistent and superior customer experience. Opportunities have been identified in the Pharmaceutical business which has been a significant engine of growth contributing 64% of the revenue of the business. As this business has grown, compliance to licensing requirements and safety standards and inventory management has become more prominent.

### Financial highlights

Despite the adverse effects of the COVID-19 pandemic, the Fund has had a healthy membership growth of 6.8% from 39, 926 to 42, 635. This was mainly due to the onboarding of two larger corporate accounts in the parastatal and mining sectors. Scheme Revenue increased by 4.2% from P740.5 million to P771.9 million while Group Revenue increased by 6% MRI revenue increased by 18% from P107 million to P126 million largely due to COVID-19 related income and an increased foot traffic due to easing of restrictions from 2020. Scheme performance decreased from a surplus of P101.7m to a deficit of P101.9m while the decrease at Group was from P99.1m to P102.0m. The claims ratio increased from 75% to 102% while the solvency position



4.2%

**Scheme Revenue  
increased**



6.0%

**Group Revenue  
increased**



18%

**MRI revenue  
increased**

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## Message from the Principal Officer Continued

reduced from 60% to 48%. COVID-19 spending amounting to P100 million as well as value added tax on imported services, capitation costs, consultancy costs as well as foreign exchange differences were major contributors to the deficit for the year.

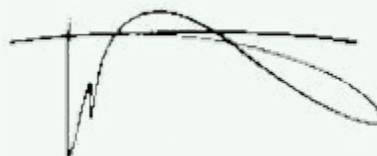
### Outlook

As we embark on the 2022 to 2026 Isago strategy, we look forward to the fulfilment of our vision of being a provider of diverse and leading-edge healthcare solutions through innovation and excellence. With the availability of the COVID-19 vaccine, we remain optimistic that the worst is behind us as far as that pandemic is concerned, and continue to hope for an imminent solution to the unrest in Eastern Europe. We are confident that Bomaid remains on a path to being the leader in the minds of the medical aid customer with a superior customer experience, and in the wellness space. We are encouraged by the solvency levels that we have achieved and believe the Fund will remain sustainable into the foreseeable future. We have continually scanned the regulatory environment and are comfortable that the impending medical aid fund regulations will not

severely impact our business model. We, therefore, reassert our confidence that the fundamentals for Bomaid to continue to consolidate its position at the forefront of good health and well-being are in place and look forward with renewed vigour to continue to be a major player in fulfilling our purpose as an organisation.

### Appreciation

We would not have been able to achieve any of these without the good vision and resilience of our colleagues at the office and our Board, and without the patience and loyalty of our Members and all our key partners. To all of you we are eternally grateful and look forward to a long enduring companionship that is filled with good health, happiness and well-being.

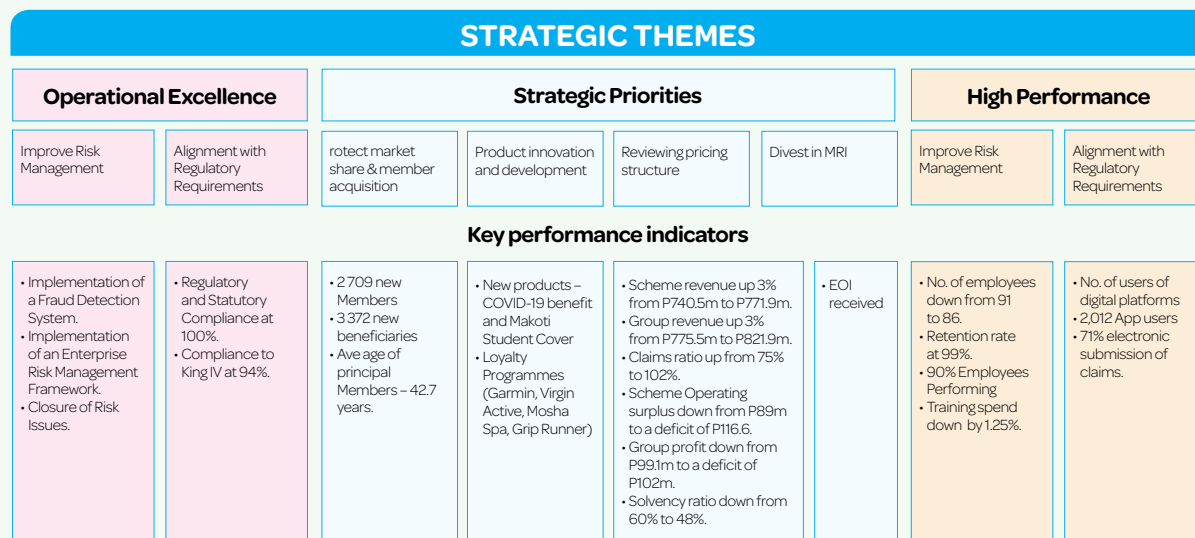


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*Mr. M. Makgosa*  
**Chief Executive Officer**

# Performance Overview

Across the group, significant effort has been put towards ensuring we deliver on our commitments. We've focused on a few key areas, recognising the need to reprioritise some of our goals given the operating environment. Despite the impact of the COVID-19 pandemic, we've maintained a healthy financial position through this period, we've retained our staff, and we've provided cover to our Members. Below is a snapshot of our organisational performance.



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## Performance Overview Continued

### OPERATIONAL EXCELLENCE

#### Overview

The Health Funders Association of Botswana (HFAB) is an association made up of the four medical aid schemes being Bomaid, Pulamed, Botswana Public Officers Medical Aid Scheme (BPOMAS) and Botsogo Health Plan and represented by the respective Principal Officers. We also participate in the Health Forensic Management Unit (HFMU) of The Board of Health Funders of Southern Africa (BHF). Bomaid has entered into a Framework Agreement with other Members of HFAB to combat fraud, waste, and abuse (FWA).

It is the duty of The Board of Trustees of medical schemes to ensure that the payment of claims to Health Care Practitioners are paid only for legitimate claims and strictly in accordance with the registered Rules of the respective schemes. That these medical aids are deemed public interest entities, further underlines the importance of this responsibility.

The HFAB took the initiative to address FWA on behalf of all its medical scheme Members and in the interest of the beneficiaries of such medical schemes and the industry. The benefits in addressing FWA in this holistic manner are the following:

- **Cost-effectiveness:** Sharing the costs relating to addressing FWA between various medical schemes, which include analytics and physical verification of claims.
- **Data:** Obtaining comprehensive data from various medical schemes allow for more accurate analysis in order to identify possible FWA.
- **Uniformed approach:** Allow for a uniformed approach towards dealing with FWA.
- **Effectiveness:** Deal with perpetrators of FWA across the medical scheme industry.
- **Quality Assurances:** Overseeing the quality of the various processes involved in dealing with FWA from a central point to ensure its implementation across the spectrum to protect the reputation of the medical schemes industry.



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## Performance Overview Continued

During the year, Bomaïd entered into agreements with two risk management companies being SHS Botswana and PPN to, among other things: assist in reviewing the adequacy of benefits; designing protocols for claims; and assisting with investigations of cases of fraud, waste, and abuse. Fraudulent providers have been identified and investigations have been concluded. Recovery processes and other actions have commenced against these perpetrators.

The Board of Bomaïd is obliged to ensure regulatory compliance. Bomaïd was issued with a letter in February 2013 that served notice that the organisation fell under the supervision of the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and that Bomaïd had been granted a waiver from licensing pending promulgation of licensing regulations specific to medical aid funds. Through this letter, Bomaïd was instructed as follows:

- Submit audited financials as well as quarterly returns.
- Submit Complaints policy and procedure, as well as risk and controls policies and procedures.

- Notification of changes to Board and Senior Management positions.
- Seek approval for new Board appointments, new business activities, establishment of subsidiaries, mergers, and acquisitions as well as any changes in shareholding.

The drafting of the Medical Aid Funds Bill and the regulations have been concluded and shared with HFAB for comments. It is anticipated that these will be presented to parliament during 2022.

As a financial institution, Bomaïd also falls under the purview of the Financial Intelligence Act and is obliged to abide by the statutes and regulations to combat anti-money laundering, combating the financing of terrorism and countering the proliferation of weapons of mass destruction (AML/CFT/CPF).

Additionally, as a Public Interest Entity (PIE), Bomaïd falls under the supervision of the Botswana Accountancy Oversight Authority (BAOA) which is an independent body empowered by the Botswana Financial Reporting Act to ensure that PIE's show

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## Performance Overview Continued

compliance with Auditing Standards and and that stakeholders are given accurate information for the protection of their investments.

Following the successful implementation of the Thobo administration platform in 2020, a significant amount of time was dedicated to stabilising the system as well as reviewing processes and identifying opportunities for improvement with the view of optimising on key turnaround and, thereby, improving the customer experience.

### Highlights

Following the conclusion of The Framework agreement between the Members of the HFAB in 2020, Bomaïd has embarked on getting the network of providers to sign the contracts and up to 95% of providers registered have since signed the agreement. In addition to this, the HFAB in collaboration with BHF commenced a project for the standardisation of a Practice Code Numbering System (PCNS) which is due for completion during 2022. It is expected that this is a critical step in the combating of fraud, waste,

and abuse as this will allow for the sharing of data between medical aid schemes.

In terms of compliance, during the year the Fund continued to focus on material regulatory provisions that impact the business. A compliance matrix was developed, outlining regulatory framework relevant to the business, and setting out the Society's obligations in line with the regulations.

A Risk and Audit Committee meeting was held between the External Auditors and The Board of Trustees and in the absence of Management on the 26th of April 2022. The purpose of the meeting was to allow for transparency that may be compromised by having Management present in the meeting. A further meeting with Internal Auditors was held on the 6th of June 2022.

During the year under review, BAOA completed a Financial Reporting and Corporate Governance review of Bomaïd. An exception was noted over inventory management and sale of expired drugs at MRI and this has been noted for corrective action.

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## Performance Overview Continued

### Challenges

The delays in the promulgation of the regulations for Medical Aid Funds remain a great cause for concern. This is due to the uncertainty it creates for the organisation in its strategic planning. On the other hand, the delays in the industry association in implementing the agreements on fraud, waste and abuse is likely to delay the curbing of this nefarious behaviour by some practitioners.

Having participated in consultations workshops with NBFIRA prior to the drafting of the regulations, we have continued to use the framework developed by NBFIRA and their consultants, Deloitte, in our strategic planning. Over and above this, we continue to monitor other regulatory developments in the region. We are encouraged by the commitments by NBFIRA to expedite the presentation of the Medical Aid Funds Bill and Regulations in Parliament during 2022.

For FWA, we have continued to use our new data analytics capability and to leverage the support of our actuaries and other risk management contractors to identify and deal with fraudulent behaviour.

Despite the significant strides in identifying areas for improvement in turnaround times, we suffered major setbacks in the alignment of the tariffs with our healthcare practitioners that resulted in misalignment between our tariffs and those of our partners and severely impacted the turnaround times and the accuracy of payments of claims, thereby bringing anxiety in the market about the financial stability of the Fund and undermining our customer satisfaction and retention initiatives.

### Outlook

Management is encouraged by the progress in the signature of new contracts with Health Care Practitioners that will assist in formalising the relationship with our partners and providing better clarity on the rights and obligations of both parties. Further, along with the PCNS project, we expect to be better poised to streamline the provider registration process and to be able to benchmark.

We are encouraged by recent engagements with provider groups especially the Botswana Dental Association, Botswana Optometrists Association and

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## Performance Overview Continued

the Medical Practitioners Group and the relationships that Management have fostered with the leaderships of these practitioner groups. We expect to continue to engage with these and other groups to foster relationships and build a mutually beneficial relationship for the benefit of our Customers, the Fund, and the Healthcare Practitioners.

We are confident that Management has taken learnings from the financial leakages that have arisen from fraudulent claims and over servicing and will continue to take necessary steps to combat this behaviour. The revamped processes will also go a long way in ensuring that claims are settled correctly and avoiding customer inconvenience due to resultant lack of access.

### HIGH PERFORMANCE

#### Overview

Our employees remain our most significant resource. It takes a happy employee to keep a customer happy. Bomaid continues to implement policies to

attract and retain the best talent in the market and to develop that talent. The following key initiatives remain key to performance improvement:

- **Talent Management Strategy:** To attract retain and reward the best talent.
- **Change Management:** To increase the motivation of our staff and their levels of productivity. Bomaid will continue to use the Deloitte Best Company survey as the standard to measure employee engagement. Additional internal surveys are conducted to assist Management in identifying opportunities for the enhancement of the employee value proposition
- **Introduction of a performance management system:** To transform Bomaid into a high-performance organisation.
- **Service Level Agreement (SLA) Management:** The business is dependent on other intermediaries in the delivery of a superior customer experience.
- **Health and Safety:** Since medical aid was declared an essential service, employee health and safety gained prominence as the COVID-19

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## Performance Overview Continued

cases rose to a peak in 2021 and the need for minimising workplace infections, as well as fatalities, and avoiding business disruptions become paramount.

Employee productivity and SLA Management are essential for us to achieve our set turnaround times and, by extension for our Members to experience a superior customer experience. In addition to building a high-performance culture, we need to constantly reassess our structure and skills set for alignment with our strategic objectives. With our recent technology and the capabilities that it has endowed us, we also need to build business intelligence capability to support the decision-making processes across the business.

### Highlights

The Fund embarked on a project to automate our performance management and performance contracting systems during the year.

To strengthen the leadership capability and staff proficiency, staff Members were identified for

various programmes in leadership development, project management, and numeracy. In preparation for implementation of the strategy, a project was commenced to realign the business with the new strategic imperatives. Some of our best emerging talent across the organisation was deployed to Project Isago which is a key project for the transformation of the medical aid fund.

To retain and motivate the leadership team, The Board has approved an Executive Long-Term Incentive and Executive Bonus policy. In addition, The Board has also approved a Graduate Training Programme that will allow for the infusion of new talent into the organisation and for the transfer of skills once the realignment project is complete.

We are also encouraged by the progress made in stabilising the Thobo system and the comfort that the staff has developed in navigating the system. Additionally, Management continues to engage with staff and to seek a harmonious working relationship through the collective bargaining unit.

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## Performance Overview Continued

COVID-19 was a pandemic that reached levels of carnage that we hope never to experience again, and we commiserate with those who lost their loved ones and those who still suffer from its lingering effects. Through a combination of health and safety protocols and integration of technology we were able to avert loss of life for our staff members and had only two protracted stay in hospitalisations.

### Challenges

Staff productivity remains a key concern as customers have expressed unhappiness about poor turnaround times and inaccessibility. This situation has been exacerbated by the working from home arrangements during the times of COVID-19 and the flexible working arrangements that in some instances lend themselves to abuse. This has necessitated a review of leadership tactics and the use of supervisory tools for closer monitoring and for coaching and mentoring. This has also necessitated for closer supervision, coaching and team cohesion for all to appreciate the inter dependability across the various aspects of the business to achieve corporate goals.

### Outlook

It is our hope that we will continue to attract and retain the right talent for our organisation and to keep our people skilled, engaged, and motivated to deliver on our new strategy that places our customer (wellness and satisfaction) and the sustainability of the Fund as the core strategic pillars. As we conclude the strategic alignment exercise in 2022, we envisage that the organisation will continue to poise itself to remain resilient and to groom the next generation of leaders to continue to the legacy.

## FUND GROWTH

### Overview

Fund growth will remain key to the long-term sustainability of the Fund. To achieve this requires vigilance in the underwriting processes and a balanced approach to pricing for our existing and new clients. The medical aid must also achieve an optimal balance in the average age of its membership to allow for cross subsidisation. Bomaid seeks to have a disciplined approach to the management of its investments to meet both its long term and short-term claims

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## Performance Overview Continued

obligations. Our price rebalancing strategy in the period from 2016 to 2021 has assisted us in achieving revenue growth while maintaining our customer retention targets. To achieve the above, we depend on our network of professionals including our accountants, actuaries, asset managers and asset consultants and we are thankful for their support.

We also seek to have a product and a new business pipeline that will assist in the attraction of new clients to grow our market share. Despite the tough times that we have experienced in recent years, we are happy that we have managed to increase our market share to 54% of the open medical aid schemes through a combination of attraction of new clients and our retention strategies. We are happy that our enhanced capabilities in business development and key account management as well as our product positioning and branding initiatives have had a positive impact in placing Bomaid on top of the minds of prospective and existing clients. We trust that these investments along with our envisaged product repackaging in the Isago Project will go a long way in positioning Bomaid in the forefront in the health and wellness space.

The Group Board is still keen to dilute the 94% shareholding that Bomaid holds in MRI through Southview. It is their belief that by allowing for the business to be less encumbered to the ultimate holding company, MRI will be poised to broaden its customer base and grow to give more profitable returns to Bomaid. The Board and Management has developed a strategic roadmap that will ensure that the value of the investment in MRI will continue to grow until a suitable partner to whom shares will be relinquished has been identified. Following from collapsed engagements with a potential investor in 2021, the Group Board considered a proposal by the Southview Board to provide debt and equity funding in the interim. The Southview Board has been approached by two prospective buyers and is evaluating its options.

### Highlights

The Board has been encouraged by the steady progress in financial performance of the business in the last five years. Pivotal to this was The Board decision to appoint actuaries in July 2015 for the first time in the history of the Fund. Following

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## Performance Overview Continued

from this, Bomaid sought to realign the pricing to be commensurate with the amount of risk until the fund returned to a surplus in 2017. This has resulted in a significant improvement in the performance of the Group while the fund has continued to attract and retain Members. Combined with the benefits arising out of the Thobo system and the reduced claims experience in 2020 returning an unprecedented surplus position for the fund in 2020, that was a key enabler in Bomaid's response to the COVID-19 pandemic. The response which was kick started by a donation to the COVID-19 Presidential Relief Fund extended to an introduction of generous benefits during the height of the pandemic that were funded from the strong reserve position.

Bomaid was the first medical aid in Botswana to react to the COVID-19 pandemic by introducing a benefit that included supplements, testing, hospitalisation and psycho-social support. This hospitalisation benefit was extended to Members who are on the AS Happy Plan which is a purely outpatient plan.

Additionally, during the year we continued to enhance our partnerships with our loyalty partners. These

partnerships that resonate with our vision and mission include a smart watch arrangement with Garmin, a beauty therapy association with Mosha Spa and health club collaboration with Virgin Active.

### Challenges

Despite the availability of vaccines and the significant reduction of cases in the last quarter of 2021, the COVID-19 pandemic remains a threat for the organisation and broader society and all stakeholders must remain vigilant and hopeful that the worst remains behind us. We continue to monitor the behaviour of this unpredictable virus with the view for a speedy counter of any escalation in the risk to the business and to encourage our staff and customers to exercise their right to get vaccinated.

Fraud, waste, and abuse on the Fund and its impact on the Fund and the industry will always remain a cause for concern. As the various partners seek to recover from the adverse effects of the social distancing measures that were implemented by government officials, Management must remain watchful against supplier induced demand as well as overservicing and fake transactions.



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## Performance Overview Continued

The Competitive landscape is evolving with other medical aid funds responding to our pricing and our product strategies and aggressively marketing these to our client base. To avoid commoditising our products and sacrificing our margins, this calls for a review of our entire value chain to identify areas for avoidance of leakages and opportunities to improve efficiencies. Account Relationship Management will also be key.

### Outlook

Following the successful conclusion of the 2016 to 2021 strategy that was anchored on the turnaround of the financial performance of the Group, The Board has approved the Isago Strategy that spans the period from 2022 to 2026. In this new strategy, Bomaïd seeks to speed up the transformation from a traditional reactive hospicentric medical aid to a more preventive wellness orientated organisation. The Strategy is premised on the strategic pillars of superior customer service, wellness, and fund sustainability.



# KING IV™ ALIGNMENT

In this section, we demonstrate our application of the King IV Code Principles during the year. We aim to increase our implementation of these principles across the Group as we go forward.

King IV Focus Area	King IV Principle	Governance Report 2021
<p><b>Leadership</b></p>	<p>1. The governing body should lead ethically and effectively</p>	<p>The Bomaïd Board of Trustees, working closely with Executive Management has committed itself to high levels of ethical leadership, integrity, and good governance.</p> <p>The Board holds the view that for the Group to remain and continue being sustainable, and a key stakeholder in the health care industry, it must provide the necessary oversight to ensure that The Society has a solid reputation.</p>
<p><b>Organisational ethics</b></p>	<p>2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<p>The ethical approach adopted by Bomaïd involves leading Employees to build good relationships based on respect and trust. The Board is confident that leading with integrity, honesty, fairness, equity, justice, and compassion result in sustainable success. With these standards having been set and leadership living by them, the entire organization is expected to follow suit.</p> <p>Issues relating to integrity, honesty, fairness, equity, justice, and compassion have been addressed in the Conditions of Service for Employees, Whistleblowing Policy and the Code of Conduct for The Board of Trustees to align the culture to the values of the organisation.</p> <p>The two documents clarify Bomaïd's mission, values, and principles, linking them with standards of professional conduct and they also serve as a valuable reference on issues relating to ethics within the organisation.</p>
<p><b>Responsible corporate citizenship</b></p>	<p>3. The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen</p>	<p>The Board has delegated to the Risk and Audit Committee the responsibility for monitoring and reporting of ethical and sustainability practices that are consistent with responsible corporate citizenship.</p> <p>Group codes of conduct are monitored across the Group and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach.</p>

## KING IV™ ALIGNMENT Continued

King IV Focus Area	King IV Principle	Governance Report 2021
<p><b>Strategy and performance</b></p>	<p>4. The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board of Trustees remains responsible and committed to setting the Group’s strategic direction, developing key policies, approving budgets, monitoring implementation of the approved strategy and ensuring that there is full compliance with all regulatory requirements.</p> <p>The Board, in determining strategy, considers its material inputs and their usage, together with how the Group’s activities and outputs contribute to positive sustainability outcomes. In this report, we have articulated our value creation process and performance, as well as our material matters, risks, and opportunities.</p>
<p><b>Reporting</b></p>	<p>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance and its short, medium, and long-term prospects</p>	<p>The Board is assisted by the Risk and Audit Committee in reviewing and approving the integrated report. The report is prepared in line with recognised local and international guidelines including International Financial Reporting Standards (IFRS), the International Integrated Reporting Council’s (IIRC) Integrated Reporting &lt;IR&gt; Framework, the reporting principles contained in King IV and NBFIRA guidance. The Board is comfortable that this first integrated report provides a comprehensive view of the Group’s performance</p>
<p><b>Primary role and responsibilities of the governing body</b></p>	<p>6. The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Book of Rules entrusts The Board with control and supervision of the general business of The Society.</p> <p>The Board is the focal point and custodian of corporate governance in the organisation and has committed itself to the highest standards of corporate governance through adopting and applying the principles enshrined in the King IV Code and adhering to The Board Charter which outlines The Board’s duties and responsibilities.</p> <p>The Trustees have a fiduciary duty to administer the assets of The Fund with due skill and care. The Board is, therefore, accountable to the Members of The Fund, who are beneficiaries of the assets from The Fund. The Board of Trustees is duty bound to act in accordance with the Book of Rules, and in its best interests always.</p>
<p><b>Composition of the governing body</b></p>	<p>7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Nominations Committee considers, on an annual basis, the composition of The Board. Their considerations include the balance of knowledge, skills, and experience, together with the level of independence required for The Board to function effectively.</p> <p>We have included additional disclosures on The Board composition in the Our business section of this report.</p>

## KING IV™ ALIGNMENT Continued

King IV Focus Area	King IV Principle	Governance Report 2021
<p><b>Committees of the governing body</b></p>	<p>8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p>	<p>The Society's Book of Rules and Board Charter provide for the establishment of designated Board Committees, to assist The Board with delivery of its mandate. The Book of Rules and Board Charter provides that The Board of Trustees may delegate some of its powers to these designated Committees and this is in accordance with good corporate governance standards.</p> <p>The delegated authority of Committees is express, and The Committees work in line with the terms of reference as provided in the Committee Charters. The Committees are mandated to make recommendations of their final decisions to The Board of Trustees for approval.</p> <p>The Nominations Committee:</p> <ul style="list-style-type: none"> <li>• Reviews The Board committees.</li> <li>• Makes recommendations on composition of the committees.</li> <li>• Makes recommendations to The Board on skills sets which contribute to the effectiveness of the committees and the distribution of the balance of power.</li> <li>• Considers whether the existing committees allow The Board to properly discharge its duties.</li> </ul> <p>The delegation of authority to Committees does not absolve nor transfer any of the responsibilities of The Board to the respective Committees, and The Board remains ultimately accountable to the Members of The Society.</p> <p>The Board comprises:</p> <ul style="list-style-type: none"> <li>• Finance &amp; Investment</li> <li>• Risk &amp; Audit</li> <li>• Benefits Appeals &amp; Service Quality</li> <li>• Human Resource &amp; Compensation</li> <li>• Nominations Committees.</li> </ul>
<p><b>Evaluations of the performance of the governing body</b></p>	<p>9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair, and its individual Members, support continued improvement in its performance and effectiveness</p>	<ul style="list-style-type: none"> <li>• The Nominations Committee supervises the nomination process of Trustees to the Bomaid Board and Directors to Bomaid subsidiaries.</li> <li>• Additionally, the Committee oversees and make appropriate recommendations on Trustee's training needs and governance issues.</li> <li>• The Board evaluation conducted in 2019 assessed the performance of The Board. During 2020 we made progress in addressing areas for improvement. A further assessment was conducted in 2021.</li> </ul>

## KING IV™ ALIGNMENT Continued

King IV Focus Area	King IV Principle	Governance Report 2021
<p><b>Appointment and delegation to management</b></p>	<p>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<ul style="list-style-type: none"> <li>The Board has delegated authority to the Chief Executive Officer to run the day-to-day affairs of the Group, subject to a delegation of authority framework, which details levels of authority and governs sub-delegation.</li> </ul>
<p><b>Risk governance</b></p>	<p>11. The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<ul style="list-style-type: none"> <li>The Risk and Audit Committee assists The Board in discharging its duties of managing The Society's internal controls and risk management systems. The Committee continuously reviews reports on management of internal controls &amp; risk management and makes the requisite recommendations to The Board for approval.</li> <li>Across the Group, risk management practices include the proper delegation of responsibilities, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk.</li> <li>The focus of risk management in the Group is on identifying, assessing, managing, and monitoring all known forms of risk across the Society. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.</li> </ul>
<p><b>Technology and information governance</b></p>	<p>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	<ul style="list-style-type: none"> <li>The Board is cognisant of the importance of technology and information as it is interrelated to the strategy, performance, and sustainability of the Group.</li> <li>The Risk &amp; Audit Committee is responsible for information and technology governance in accordance with King IV. The committee oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures, and standards to ensure the effectiveness and efficiency of the Group's information systems.</li> </ul>
<p><b>Compliance governance</b></p>	<p>13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<ul style="list-style-type: none"> <li>The Risk and Audit Committee assists The Board in its monitoring and evaluation of the adequacy and efficiency of internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the Group in compliance with all applicable legal requirements, corporate governance, and accounting standards.</li> </ul>


## KING IV™ ALIGNMENT Continued

King IV Focus Area	King IV Principle	Governance Report 2021
<p><b>Remuneration governancet</b></p>	<p>14. The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.</p>	<ul style="list-style-type: none"> <li>The Human Resource &amp; Compensation Committee advises The Board on Human Resource policies and strategies, including remuneration and the appointment of officers of Bomaid. In addition, the Committee is charged with reviewing and offering counsel on the status of the Group's human intellectual capital to ensure that the Group continues to attract, retain, motivate, and reward employees appropriately to ensure they achieve key organisational objectives.</li> </ul>
<p><b>Assurance</b></p>	<p>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports</p>	<ul style="list-style-type: none"> <li>The Risk and Audit Committee assists The Board to provide a forum for communication between The Board, Management, the Internal and External Auditors. It also oversees the selection process and recommend the appointment of the Internal and External Auditor, as well as reviews and confirms the independence of the Internal and External Auditor.</li> </ul>
<p><b>Stakeholders</b></p>	<p>16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time</p>	<ul style="list-style-type: none"> <li>This Benefits, Appeals &amp; Service Quality Committee assists The Board in carrying out its responsibility to assess adequacy of benefits, ex-gratia appeals and to foster a culture of service excellence.</li> <li>The Committee ensures that The Fund fulfils its mission of providing competitive and diverse health care funding through innovation and service excellence while at the same time maintaining an appropriate balance between compassion, fairness, and fiscal realism.</li> </ul>

# Our Value Creation and Tradeoffs



- **External Environment**
- **Stakeholders**
- **Risks and Opportunities**
- **Value Created**
- **Tradeoffs**



The Group continues to align to the United Nations Development Plan (UNDP) Sustainable Development Plan 3 (SDG 3) which seeks to ensure that everyone has health coverage and access to safe and effective medicines and vaccines by 2030.

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# Overview of Value Creation and Trade-Offs

In 2021, The Board approved the Isago Strategy for implementation in the years 2022 to 2026. In the 2016 to 2021 strategy, our mission was to provide diverse and innovative solutions in a cost effective and sustainable manner, through innovation and excellence. In our revised strategy, our mission is to provide diverse and leading-edge healthcare solutions through innovation and excellence. In delivering on this mission, we use various forms of capital to create value for stakeholders. The outputs that we produce and the outcomes that we contribute to, result in value being created, preserved, and eroded for stakeholders.

Natural capital is not a material input for our business, nor do our business activities impact on natural resources in a material way. The following are the five material forms of capital that we use:



**Financial:** The cash generated from our operations, together with funding from investors and financial institutions



**Human:** Our people and their collective knowledge, skills, and experience



**Intellectual:** Our brand, our solutions, and our insights



**Manufactured:** Our physical footprint created by the buildings we own, or lease, through our footprint



**Social:** Our stakeholder relationships with Members, investors, regulators, and our society.

In considering how best to achieve our objectives, we evaluate a wide range of inputs from the external environment, our stakeholders, and our internal discussion on strategy, risks, and opportunities. This section of the report provides context to how we consider and arrive at our material issues and our strategic direction.



# External Environment

## COVID-19

**The COVID-19 pandemic has brought with it opportunities and challenges alike. While on the one hand, the value of the medical aid funds in the global eco-system has become more pronounced, we have been reminded of the impact of a single pandemic to the sustainability of the industry.**

As the oldest, most diversified and most adequately capitalised medical aid in the country, The Board is comfortable that the Fund has accumulated adequate reserves to support our Members and other stakeholders in these trying times.

In its country preparedness and status update of 16th March 2020, WHO categorised Botswana as a level 2 in terms of operational readiness meaning the country was no more than 40% ready for the pandemic. The country was, however, assessed not to have an elevated

There is hope that the worst of the COVID-19 pandemic is behind us.



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## External Environment Continued

risk of imported cases. Despite the concerning state of preparedness then, The Government of Botswana moved speedily to procure vaccines when they became available. By 1st June 2022, the country had achieved a rate of 57.4% of population vaccinated against a worldwide average of 60.7%.



According to the worldometer, the number of active cases peaked at 17, 528 cases on the 10th of August 2021 and dropped to 431 by 5th December 2021 being the lowest since 18th of July 2020. This period of rapid decline was offset by a sharp increase to another peak of 14, 597 on the 3rd of January 2022 due to the benign Omicron Variant. Related deaths, on the other hand, increased to 2,325 by September 10th, 2021, and remained flat with an increase of 370

to 2, 695 in the eight-month period up to 26th May 2022. The combination of herd immunity, availability of vaccines and less aggressive variants have given hope that the worst of the pandemic is behind us.

### Political issues

The Group has not been spared from the Russian invasion on Ukraine on the 24th of February 2022. Viewed as the most significant military conflict on Europe soil since World War II, this humanitarian crisis has resulted in renewed political tensions in some quarters, an escalation in others and changes of postures and policy by some.

The attention of the world has now been diverted to a different outbreak that may present similar challenges to global geo-politics as the COVID-19 pandemic. There is a risk of severely undermining and dampening the global recovery that was under way following the COVID-19 pandemic. The war came at a time when the speed of recovery was gaining momentum and the pandemic related restrictions had started to abate from the stretched supply chain. Russia and Ukraine being major exporters of

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## External Environment Continued

crucial commodities such as crude oil, gas, various base metals, cereals and other foodstuffs, the war has caused disruptions in the supply chains of these commodities, through both damage due to conflict and the economic sanctions imposed on Russia. These further disruptions have added to those already in play from the COVID-19 recovery, driving prices and, thus global inflation up and slowing growth down, prompting fears of possible stagflation.

### Economic issues

Recovery in the global diamond market has led the rebound of the economy to show promise of a recovery to Pre-COVID levels. This recovery has continued from 2021 to Q1 of 2022. However, as mentioned elsewhere in this report, this recovery is likely to be undermined by the war in East Europe. There are, however, lingering risks arising out of major markets like China who have recently had Covid-19 lockdowns.

Following a contraction of 8.7% in 2020, real GDP growth in 2021 increased to 11.4% for 2021 which was higher than the 9.7% projected by Government

officials and the 9.2% projected by the International Monetary Fund. Inflation has surpassed the target Bank of Botswana rate and had reached double digits by Q1 2022 recording a 13 year high of 10.6%.

Statistics Botswana reported at the end of 2021 that the labour force had grown by 1.6% from 2019. Over the same period, the unemployment rate grew by 3.8% to 26%. The private sector is the largest employer (at 37%), followed by the public sector (at 31%) and self-employment (16%). Private Households accounted for 7%. Despite the negative growth in employment, Private Sector and Own Farm Dwellings experienced positive growth at 6.9% and 19.5% respectively.

### Social issues

As a leading industry player, Bomaïd recognises that it has a larger calling than to our Members but to our broader stakeholder network which includes the Botswana Government and contributing to the global agenda. The Group continues to align to the United Nations Development Plan (UNDP) Sustainable Development Plan 3 (SDG 3) which seeks to ensure that everyone has health coverage and access to

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## External Environment Continued

safe and effective medicines and vaccines by 2030. SDG 3 provides a beacon on which our product development and enhancement philosophy will be firmly focused as we move into our new strategy for 2022 and beyond as the world seeks good health and well-being for all.

Intricately linked to our SDG 3 objectives will be others like SDG 2 – Zero Hunger (access to nutritious food), SDG 5 – Gender Equality (Diversity and Inclusion), SDG – 9 (Industry, Innovation, and Infrastructure). All the above will be underpinned by an insatiable desire to make Bomaid employees, stakeholders, and the larger populace healthier and happier.

### Technology issues

It is often said that businesses may have to dramatically change their operating strategy because of changes in the technological environment. The digital revolution has had a material impact on financial inclusion and offers new ways that create ecosystems that map, expand and monetise digital footprints and combine behavioural economics with predictive algorithms to facilitate access and engagement with finance. This is done through digital based financial inclusion (fin-tech).

Globally, technology adoption has been identified as a key driver of economic growth, and of improved efficiency and productivity. The fourth Industrial revolution and the advent of the restrictions due to the COVID-19 pandemic have collaborated to present opportunities for those who have invested in technological infrastructure as well as present and existential threat for those who were not prepared. However, the increased demand for digitisation has come with risks with cybersecurity being the biggest risk.

In the replacement of the legacy fund administration system at the start of 2020, Bomaid found itself in an enviable position of immediately being able to activate the Work from Home plans and to continue to serve stakeholders with minimal interruption. In addition, we were able to close off some of the concerns that had been raised by staff and customers. The new challenge is how to continue to balance the risks that are associated with the global digital revolution with the people, productivity, and financial risks.

### Legal issues

According to the NBFIRA Act, Medical Aid Funds fall within the supervisory purview of NBFIRA. In 2015, NBFIRA concluded a consultancy with Deloitte where

## External Environment Continued

they were assigned to design a regulatory framework for medical aid funds. Following from consultations with stakeholders and written submissions, regulations were then drafted.

From the consultations, it was envisaged that the framework would cover features like the setup of medical aid funds; benefits; underwriting; governance; statutory requirements and operations and third-party providers. NBFIRA have shared the draft Medical Aid Funds Bill and the Regulations with the Members of the Health Funders Association of Botswana (HFAB) and invited comments from the industry. Indications are that NBFIRA is targeting to achieve promulgation of the bill during 2022. Bomaid continues to scan the environment and, where necessary, take the requisite steps to close any anticipated gaps.

Other new acts that are of relevance that have either promulgated or are expected to become of importance will include data protection legislation as well as anti-money laundering and countering of terrorism laws.

### Environmental issues

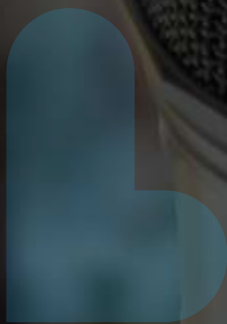
The Bomaid Board approved a Corporate Citizenship Policy in June 2020.

As an industry leader Bomaid continues to espouse the values of model corporate citizenry and purpose driven existence. With the aforementioned in mind, the Group has adopted the principles of Environmental, Social and Governance (ESG) in the new strategy.

The ESG principles are anchored on the following tenets:

- **Environmental** - (Climate change and carbon emissions, Air & water pollution, Biodiversity, Energy efficiency, Deforestation, Waste Management, & Water Scarcity).
- **Social** - (Customer Satisfaction, Data Protection, Gender & Diversity, Community Relations, Employee Engagement, Human Rights, and Labour Standards).
- **Governance** - (Board Composition, Executive Compensation, Audit Committee Structure, Bribery & Corruption, Lobbying, Political Contribution and Whistle Blower Schemes).
- **While the Group** has developed a robust policy framework to respond to the social and governance aspects, it is our expectation that we will have to undertake the necessary scans to make the necessary advances for the Environmental principles.

# Stakeholder Engagements



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# Stakeholders

**We aim to create positive societal outcomes through our business activities. We contribute to the health outcomes of our Members and their beneficiaries, which in turn creates a more sustainable business for the Group. We assist in the development of our people, and we ensure that our suppliers and underlying investment product providers contribute to positive social and environmental impact through their own business practices.**

Responsible corporate citizenship, social responsibility, sound business practice, governance and conducting business in an ethical manner are fundamental to our sustainability and the creation of stakeholder value. Our approach to stakeholder engagement ensures we consider all stakeholders

and seek to understand and balance their interests in a fair, equitable and sustainable manner. Through regular stakeholder engagement and robust governance and risk management, we aim to be as inclusive as possible in decision-making. We use this knowledge to shape our business strategies so that we can deliver on our promise to benefit our stakeholders, grow our business, and positively impact society.

With the above in mind, Bomaïd continues to embark on annual stakeholder seminars which are held with Members and Health Care Practitioners in Gaborone, Palapye, Francistown and Maun. Despite the social distancing restrictions, Bomaïd managed to hold a virtual session of its AGM on the 30th of June 2021. Furthermore we held six (6) virtual engagement sessions with Members and providers in Francistown, Maun and Gaborone. Twelve (12) consultative sessions were also held with various Health Care Practitioner associations. In addition to the above, the organisation carried out a Customer Satisfaction Survey at the end of 2020 and a survey of the Deloitte Best Company to Work For. These engagements

## Stakeholders Continued

are integral part of our assessment of our progress in dealing with issues that emanate from our key stakeholders which include our staff, health care service providers and our Members.

### Stakeholder concerns and our high-level response

Over the past year, we engaged our stakeholders through several platforms, gathering feedback on various topics. The topics that had the greatest impact on our sustainability and strategy are highlighted here:

Stakeholder	How we engage them	Their concerns	Our response
<p><b>Members</b> Our Members provide the bulk of our financial resources, and our engagement with them contributes to ensuring that we develop and deliver appropriate products and solutions, as well as grow our Membership base.</p>	<ul style="list-style-type: none"> <li>• Stakeholder engagement seminar.</li> <li>• AGM.</li> <li>• Call centre.</li> <li>• Email.</li> <li>• Website and social media.</li> <li>• Print and electronic media.</li> <li>• Tip-off line.</li> <li>• Direct telephone.</li> </ul>	<ul style="list-style-type: none"> <li>• Affordability.</li> <li>• Out of pocket expenses.</li> <li>• Quality of services/ Turnaround times.</li> <li>• Ease of claims process.</li> <li>• Communications.</li> <li>• Access to our facilities</li> </ul>	<p>During the past year, we have maintained pricing levels in response to the financial constraints faced by our Members.</p> <p>In addition, we have rolled-out digital tools to both increase ease of claims, but also to reduce costs such as travel which would be incurred by Members when visiting branches.</p> <p>Process reviews were also completed in 2021 and improvements are being implement in 2022.</p> <p>Project Isago is expected to address issues of affordability through a health plan overhaul.</p>
<p><b>Employees</b> Our employees are key to ensuring our delivery to stakeholders. Engaging with employees enables us to develop attractive employee value propositions which stimulate productivity and innovation.</p>	<ul style="list-style-type: none"> <li>• Tip-off line.</li> <li>• Staff meetings.</li> <li>• Digital media.</li> <li>• Social media.</li> <li>• Union engagements.</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration.</li> <li>• Trust.</li> <li>• Communication.</li> <li>• Career advancement.</li> </ul>	<p>Our employee practices are clearly laid out in our human resources, ethics, and codes of conduct policies. Also, opportunities for employee training and development are offered to enhance our value proposition, and to attract and retain talent.</p>



## Stakeholders Continued

Stakeholder	How we engage them	Their concerns	Our response
<p><b>Regulators</b></p> <p>The actions and decisions that flow from our regulators impact us, our subsidiaries, our strategic partners. In turn this affects our Members, beneficiaries, and investors. We engage with our regulators to contribute and provide insight on important topics, to assist in shaping a clear vision and policy environment. In addition, understanding their position enables us to develop appropriate products and solutions, which support our growth.</p>	<ul style="list-style-type: none"> <li>• Email.</li> <li>• Telephone calls.</li> <li>• Written correspondence.</li> <li>• Industry engagement through the Health Funders Association of Botswana (HFAB).</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with statutes and regulations.</li> <li>• Anti-Money Laundering &amp; Countering of Financing of Terrorism.</li> <li>• Related Party Transactions</li> <li>• Governance.</li> </ul>	<p>Ensuring compliance remains a top priority, and the Group is making progress with assessing the changes that would be required should new legislation be promulgated as well as managing the risks associated with compliance to laws regulating safety standards of drugs.</p>
<p><b>Government</b></p> <p>Our government is responsible for the overall health outcomes of the country. In engaging with government, we ensure that we retain our social licence to operate.</p>	<ul style="list-style-type: none"> <li>• Meetings and workshops</li> <li>• Written Correspondence</li> <li>• Telephone Calls</li> <li>• Email</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to National Development</li> </ul>	<p>We continue to contribute to national development by increasing access to affordable and innovative healthcare products and solutions for our people.</p>
<p><b>Industry bodies</b></p> <p>Engaging with industry bodies supplements our knowledge of material topics affecting our industry. It also helps with consolidating views when engaging with regulators and government.</p>	<ul style="list-style-type: none"> <li>• Meeting and workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Lobbying and consultation at government and private sector levels</li> </ul>	<p>We engage with industry bodies to ensure alignment between the objectives of the various stakeholder concerns and to resolve where there are discrepancies</p>
<p><b>Society</b></p> <p>Similar to our engagements with government, our engagement with our broader society ensures that we are aware and focus on issues that may affect Bomaïd both directly and indirectly and contributes to our strategy development and execution.</p>	<ul style="list-style-type: none"> <li>• Call centre</li> <li>• Website and social media</li> <li>• Electronic and Print media</li> <li>• Tip-off line</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible Corporate citizenship (ESG issues)</li> <li>• Community development</li> </ul>	<p>In addition, we support several worthy social causes such as education to support development in our communities.</p>
<p><b>Suppliers</b></p> <p>Our suppliers are key to our delivery of services. Understanding their challenges enables us to maintain the responsiveness of our supply chain, ensuring effective and efficient delivery of services to our Members.</p>	<ul style="list-style-type: none"> <li>• Stakeholder engagement seminar</li> <li>• Meetings</li> <li>• Emails</li> <li>• Phone Calls</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain opportunities</li> </ul>	<p>We engage with health care practitioners, managed care organisations and other support structures to ensure alignment.</p>

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# Risks and Opportunities

## RISK MANAGEMENT OVERVIEW

### Bomaid's focus on Risk Management

We manage our risks through our Enterprise Risk management (ERM) Framework, which identifies and evaluates risks present in our internal and external environment, as well as informs the development of risk mitigation measures. The Board considers these inputs, together with the likelihood and the potential impact on Bomaid of various risks and opportunities. Effective risk management and a sound internal control environment are necessary for long term success of any organization. The Fund's Board and management recognizes that risk management is an integral part of both sound management practice and good corporate governance as it improves decision making, enhances outcomes, and strengthens management accountability.

Bomaid's Board of Trustees is committed to and oversees a process of risk management that is aligned with ISO 31000:2018, COSO ERM: 2017 and generally accepted good practice as well as the principles of the King IV Code for Corporate Governance ("King IV™").

To this end, Bomaid is committed to maintaining an integrated and enterprise-wide risk management program to ensure risks are managed in such a way that the interests of all stakeholders are protected. Integrating risk management improves decision making in governance, strategy, objective setting and day to day operations and helps to enhance performance.

### Risk Management Governance

The Board of Trustees retains overall accountability and responsibility for the governance and oversight of Risk Management. The Board is committed to maintaining an effective Enterprise-Wide Risk Management program in pursuit of its strategic objectives. The Risk and Audit Committee reviews and assesses the integrity and effectiveness of the risk management processes. The responsibility and accountability for managing risks rests with Management, including the significant outsourced business processes components. The Risk and Compliance Function is the custodian of the Enterprise-wide Risk Management Framework and Policy, is responsible for entrenching a risk

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## Risks and Opportunities Continued

management culture as well as facilitating risk identification and management and monitoring across the Fund.

### Our Commitment to Risk Management

We are firmly committed to effective risk management as a central pillar to our financial sustainability. Operating in the medical aid environment, we are exposed to strategic, external, legal and regulatory, human resources, operational, financial (credit, liquidity, interest, and foreign currency), technology, health, political and other risks that could potentially affect achievement of our strategic goals. We view risk management as a continuous, proactive, and systematic process, built on strong principles and practices, informing decisions and actions to deal with and benefit from uncertainties that may be encountered while pursuing our strategic goals. At Bomaïd, we understand our responsibility to balance risk and reward while pursuing our strategic goals. Furthermore, we understand that effective risk management effectively opens new opportunities.

### Risk Management Strategy

Bomaïd's Risk Management Strategy manages both internal and external risks that may impact our sustainability. Our risk management process, which covers outsourced service providers enables us to manage our risk profile within our risk appetite. Our risks are assessed in-line with The Board-approved Enterprise Risk Management Framework as well as a risk appetite framework and statement (Risk Metrics). Risks are rated according to impact and likelihood on a five-point scale that ranges from insignificant to extreme. The assessment covers the scheme's dependence on resources and relationships represented by the various forms of capital. This process targets identification of risks capable of negatively affecting organisational objectives, as well as opportunities made available by effectively managing these risks. Each department has identified a risk champion who reports departmental risk assessment and risk mitigation results to the Risk and Compliance Manager, through the monthly Risk Forums. Risk responses and mitigation plans are developed and monitored by Executive Management through the Executive Risk Management Committee,

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## Risks and Opportunities Continued

who conduct regular reviews and report quarterly to the Risk and Audit Committee, and to The Board.

### Risk Appetite

Risk appetite and tolerance levels define various levels of risk that allow Bomaid to escalate and deal with risk aligned to the delegation of authority. We recognise the importance of aligning our risk register metrics with our impact on the four capitals (General Descriptor, Business Performance, Reputation and Brand and Compliance and Legal). This allows us to deal with risk appropriately depending on the level of severity. These are reviewed annually and submitted to The Board of Trustees for approval.

### Risk Management Capabilities

Our risk management capabilities are underpinned by internationally recognised standards (ISO31000:2018), (COSO ERM: 2017) and codes of practice (King Code for Corporate Governance).

Our key risk management competencies are:

- Improve risk management capabilities continuously throughout the organisation.

- Implement risk mitigation strategies timeously at strategic, tactical, operational and process levels.
- Take accountability for risk mitigation decisions.
- Responsible acceptance of risks in pursuit of objectives.
- Pursuit of opportunities responsibly.
- Integrate risk interdependencies across the Society and outsourced service providers.

### Enterprise-Wide Risk Management Implementation Plan

- The focus areas from the approved annual work plan for the 2021 financial year included:
- An annual facilitated organisational wide policy review; completed to align our policies with legislative requirements and best practice standards.
- Resolution of internal and external audit issues, strengthening internal controls, and tightening process gaps.
- Implementation of the business continuity management program; and adapting to the impact of COVID-19 and the new normal of work.
- Annual self-assessment of legislative compliance

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## Risks and Opportunities Continued

obligations to provide assurance on the operating effectiveness of the internal control environment in complying with applicable rules and regulations.

- Implementation of customer due diligence processes in compliance with the Financial Intelligence Act.
- Monitoring and reporting on the top 10 risks, continuously evaluating significant changes in the risk landscape and the effectiveness of risk mitigations.

### Emerging Risks

While we focus on managing existing risks, we always keep an eye on emerging risks and opportunities that can significantly impact our business. In 2021, the impact of COVID-19 pandemic continued to be felt internally, locally, and worldwide. As direct consequence, we took immediate action and steps to ensure limited disruptions to business continuity and recoverability, ensuring the Business Continuity Management program was responsive to unpredictable operating demands. We also identified the increasing importance of information

security and mitigated against external data- and cyber-security threats. This led us to take actions to strengthen our network and information assets; setting policies and procedures for detection and management of threats, implementing enhanced cybersecurity programs to reinforce our IT infrastructure, and providing employee training.



## Risks and Opportunities Continued

There are several risks which we must manage, both impact us directly and indirectly. Despite mitigations that have been put in place to manage our risks, there remains a level of residual risk, requiring ongoing monitoring. However, risks in our environment also present us with strategic opportunities to turn these risks to our advantage and support our growth. Below we outline those key risks that we are managing and highlight some of the opportunities that may result from successful management of our risks.

Risk Category	Risk	Mitigation measures in place	Our response
<b>Strategic Risk</b>	The COVID-19 pandemic	<ul style="list-style-type: none"> <li>Monthly Management updates on the impact of the pandemic on the performance of Bornaïd and quarterly Board updates.</li> </ul>	Remote customer contact requires us to reimagine our service offerings and delivery channels and innovate towards customers' needs.
	Exposure to cyber and information security breaches	<ul style="list-style-type: none"> <li>Ongoing identification, analysis, evaluation and control of cybersecurity threats.</li> </ul>	More robust IT security strategy and secure data security infrastructure.
	Financial sustainability and growth	<ul style="list-style-type: none"> <li>Member growth and retention.</li> </ul>	Consolidate strategic alliances and sales and account management capability.
	Fraud, Waste & Abuse	<ul style="list-style-type: none"> <li>Build and implement a comprehensive internal fraud prevention framework.</li> </ul>	Clearer oversight of customer benefit utilization; Better understanding and risk management of possible points of fraud, waste, or abuse throughout the medical services value chain.
	People, performance & culture	<ul style="list-style-type: none"> <li>Performance appraisal tools and enhanced employee engagement</li> </ul>	A better, more productive workplace culture, talent management and talent retention.
	Failure of realisation of benefits of system overhaul	<ul style="list-style-type: none"> <li>Optimisation of the systems and processes to support.</li> </ul>	Improved customer satisfaction, confirming our value proposition to our customers and support our growth objectives.
	Poor Investment Performance	<ul style="list-style-type: none"> <li>More robust investment appraisal.</li> </ul>	More diversified investment portfolio.
<b>Liquidity risk</b>	Failure to plan for unexpected cash outflows	<ul style="list-style-type: none"> <li>Better cash flow management with funds held on short term deposits.</li> </ul>	More liquid assets.
<b>Market risk</b>	Failure to respond to changing investment environment	<ul style="list-style-type: none"> <li>Strong focus on scenario planning.</li> <li>Strong focus on alternative investment strategies.</li> </ul>	Diversified investment portfolio that reduces concentration risk, smooths out returns, and helps improve long-term portfolio performance.

## Risks and Opportunities Continued

Risk Category	Risk	Mitigation measures in place	Our response
<b>Operational risk</b>	Increasing levels of fraud	<ul style="list-style-type: none"> <li>Build sources of fraud data analytical insights for proactive risk management.</li> </ul>	Build on enhanced Business Analytics Capability.
	Inability to attract and retain talent	<ul style="list-style-type: none"> <li>Compelling employee value proposition, combined with clear job descriptions, performance plans and codes of conduct.</li> </ul>	Become an employer of choice; with a productive workplace culture that grows and supports our people as a result of effective talent management.
	Inability to protect data and IT systems adequately	<ul style="list-style-type: none"> <li>Strong IT controls, IT strategy, and business continuity plans in place, supported by data protection awareness and training programmes.</li> </ul>	Preserve the trust and peace of mind in our customers in delivering services effectively and safely.
<b>Regulatory risk</b>	Non-compliance with regulations	<ul style="list-style-type: none"> <li>Strong capacity within regulatory team to ensure that Management and Board are abreast with changes to regulations, impact of changes, mitigation measures and requirements to remain in compliance.</li> </ul>	Strong regulatory compliance protects our license to operate; and positions us well to maintain our market share and attract investment.

# Material Matters

Having considered our external environment, our stakeholder inputs, and our own internal risk matters, we have arrived at the following set of material issues to be addressed in this report. These material matters are those that could significantly affect our business model and our ability to create value for stakeholders, in the short-, medium-, or long-term. Each set of inputs to the determination of materiality went through a process of identification, evaluation, and prioritisation in terms of their likelihood and potential impact on the Group. How we manage these material matters as a Group has implications for our strategy, our governance focus, our stakeholder relationships, as well as our view on risks and opportunities. The table below highlights the key material issues and how we are both managing and responding to them.



Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
The impact of COVID-19 was wide-spread across our operations. However, our first priorities were our staff and our customers.	<ul style="list-style-type: none"> <li>• Loss of staff</li> <li>• Decline in member health outcomes</li> <li>• Operational risks including supply-chain risks</li> <li>• Liquidity risks</li> </ul>	Demonstration of our brand values, and ethics, leading to improved quality of stakeholder relationships	Employees, Members, Regulators, Suppliers, and Health Care Practitioners	Introduction of Covid-19 benefit to support treatment of COVID-19 including testing, psychosocial support, hospitalisation, and vaccines.



## Material Matters Continued



### Fraud, Waste, and Abuse (FWA)

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
<p>Fraud, waste, and abuse deprives our Members of their rightful benefits. It also has implication for how we are viewed by our regulators in terms of our ability to safeguard Members' interests.</p>	<ul style="list-style-type: none"> <li>• Loss of member confidence</li> <li>• Loss of regulator confidence</li> <li>• Cost leakages</li> </ul>	<p>Enhance brand value through better safeguarding of member benefit utilization</p>	<p>Members, Regulators, Health Care Practitioners</p>	<p>Implement a comprehensive fraud detection and prevention framework</p>



### Talent management

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
<p>We operate in a skills-scarce country, with competition for attracting talent as employers at its most intense. We need to ensure that we remain able to attract, develop and retain key skills through our Employee Value Proposition</p>	<ul style="list-style-type: none"> <li>• Loss of key talent</li> </ul>	<ul style="list-style-type: none"> <li>• A diverse and inclusive workplace culture,</li> <li>• Increased productivity, innovation, financial sustainability, and customer satisfaction</li> </ul>	<p>Members Employees</p>	<p>Optimize the talent management framework underpinned by performance management, talent acquisition and retention, and succession planning; and realise a stronger Employee Value Proposition</p>

## Material Matters Continued



### Affordability

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
The costs of providing health services are constantly increasing, and we are constantly looking for ways to reduce the cost of providing health services to our Members. If healthcare becomes unaffordable then the sustainability of the Group will be under strain.	<ul style="list-style-type: none"> <li>• Loss of financial sustainability</li> <li>• Loss of Members</li> </ul>	<ul style="list-style-type: none"> <li>• Increased efficiency and innovation, leading to enhanced financial sustainability, and customer satisfaction</li> </ul>	Members Employees MRI	Our product design philosophy allows us to embrace new ways of servicing our Members that are more affordable. These may include telehealth. Through our strategic alliance with MRI, we have been able to reach our COVID patients at home and treat them from there.



### Fund performance

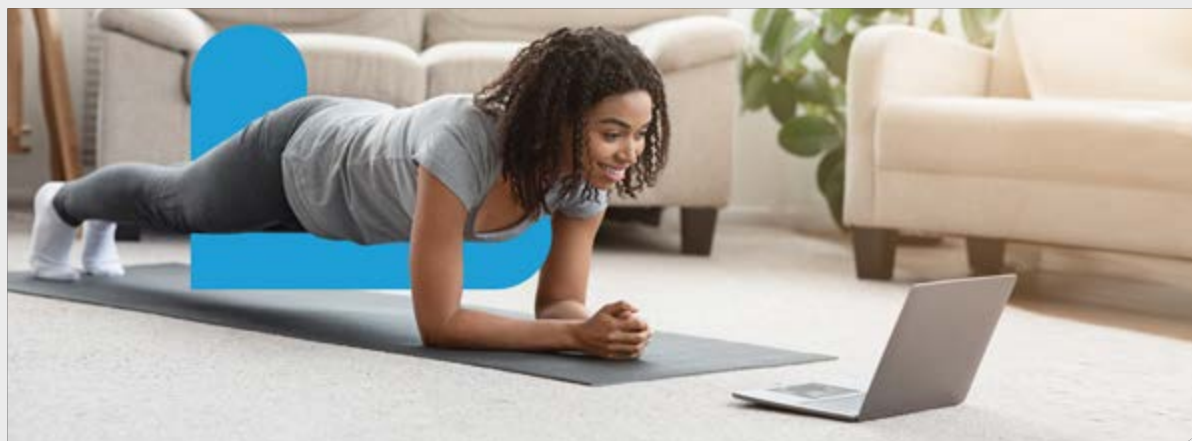
Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
Low levels of economic growth have an adverse impact on our ability to make investments that will deliver returns required to provide member benefits.	<ul style="list-style-type: none"> <li>• Loss of financial sustainability</li> <li>• Loss of Members</li> </ul>	<ul style="list-style-type: none"> <li>• Increased financial sustainability, and customer satisfaction</li> </ul>	Members	Our product and member portfolio diversification allows for us sell our products to customers across demographics and sectoral divides, smoothing out our exposure to concentration risk

## Material Matters Continued



### Regulatory compliance

Material Issues	Risks	Opportunities	Stakeholders impacted	Strategic Response
Ensuring compliance with regulations is key to maintaining our license to operate, avoiding fines, and protecting our brand reputation	<ul style="list-style-type: none"> <li>• Loss of operating licence</li> <li>• Fines and penalties</li> <li>• Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>• Increased financial sustainability, and brand value</li> </ul>	Members, Industry Regulators	We continue to monitor developments in the medical aid industry, locally and in the region, to ensure that we are abreast with impending or new compliance requirements. Our Membership of BHF assists in ensuring that we have access to thought leadership and lobbying



# Value Created for Stakeholders

**Our goal is to deliver value to our stakeholders through our activities. The table below depicts how we create value by using our forms of capital to offer products and solutions that create value for our stakeholders.**

Inputs (01 Jan 2021)	Activities	Outputs (31 Dec)	Outcomes (31 Dec)
<p><b>Financial</b></p> <ul style="list-style-type: none"> <li>Member contributions</li> <li>Cash generated from investment activities – reinvested in the business</li> <li>Strong balance sheet – cash position and ability to leverage the balance</li> </ul> <p><b>Human</b></p> <ul style="list-style-type: none"> <li>Total employees - 86</li> <li>Diversity in employment complement 34:66 (M:F)</li> <li>Leadership team – experienced executive team</li> </ul> <p><b>Intellectual</b></p> <ul style="list-style-type: none"> <li>Thought leadership (discussions on universal health, clinical staff representation on committees addressing health issues, Board of health funders)</li> <li>Innovative solutions for clients and Members</li> <li>Strong systems &amp; IT platforms (Thobo)</li> <li>Brand value (52% market share)</li> <li>Bomaid has over 51 years of value –driven experience in the medical aid industry</li> </ul>	<p><b>We offer:</b></p> <p>Diverse and innovative solutions in a cost effective and sustainable manner, through innovation &amp; excellence.</p>	<p><b>Products</b></p> <ul style="list-style-type: none"> <li>No. of products launched – 2, being Makoti Student Cover and COVID-19 Home Care Benefit</li> <li>No of loyalty partnerships – 4 (Mosha Spa, Virgin Active, Grip Runner, Haskins, Garmin)</li> <li>Medical Value travel (Indian Hospitals) - Workhardt Hospital and Apollo Hospital</li> <li>New Members – 2709</li> <li>New Beneficiaries – 3372</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>Dependents on chronic program – 17321</li> <li>Chronic prevalence – 18.8%</li> <li>Average mortality rate – 0.017%</li> <li>Viral suppression rate – 98%</li> </ul>	<p><b>Financial</b></p> <ul style="list-style-type: none"> <li>Increase in claims cost ratio – from 75% to 102%</li> <li>Decrease in group profit – P99.1m to P(102.0)m</li> <li>Decrease in scheme operating surplus - P89m to P(116.6)m</li> <li>Reduction in solvency ratio – from 60% to 48%</li> <li>Decrease in member contributions (revenue) 2.4%</li> </ul> <p><b>Human</b></p> <ul style="list-style-type: none"> <li>Decrease in no. of employees -5</li> <li>Decrease in no. of female employees - 2</li> <li>Decrease in no. of youth employees - 9</li> <li>Increase in value of remuneration paid - 3%</li> <li>Increase in employee retention rate - 5</li> <li>Staff engagement level - 61.2%</li> </ul>

## Value Created for Stakeholders Continued

Inputs (01 Jan 2021)	Activities	Outputs (31 Dec)	Outcomes (31 Dec)
<ul style="list-style-type: none"> <li>Innovative solutions for clients and Members</li> <li>Strong systems &amp; IT platforms (Thobo)</li> <li>Brand value (52% market share)</li> <li>Bomaid has over 51 years of value-driven experience in the medical aid industry</li> </ul> <p><b>Social &amp; relationship</b></p> <ul style="list-style-type: none"> <li>No. of Members – 39 996</li> <li>No. of beneficiaries – 88 459</li> <li>Commanding position in the industry</li> <li>Well-known and trusted brand</li> <li>Strong strategic partnerships</li> <li>Strong stakeholder relationships</li> </ul> <p><b>Manufactured</b></p> <ul style="list-style-type: none"> <li>Footprint of the pharmaceutical business</li> <li>Stock of the MRI</li> <li>Fleet of ambulances and EMS vehicles</li> </ul>			<p><b>Intellectual</b></p> <ul style="list-style-type: none"> <li>Increase in market share - 0</li> <li>Treating Customer Fairly – 74.1% brand value or reputation</li> <li>Increase in NPS - 4.78</li> <li>Enhancement of IT platforms &amp; systems</li> </ul> <p><b>Social &amp; relationship</b></p> <ul style="list-style-type: none"> <li>Increase in Members = 2 709</li> <li>Increase in dependents – 5 469</li> <li>Increase in customer satisfaction from 73.6% to 74.8%</li> </ul>

### SDG Alignment

Our primary SDG focus is to improve health outcomes.

We commit to deliver products and services that will provide improved health outcomes (Goal 3) by improving access to affordable health solutions, through our products, solutions, and platforms. We deliver our products and services, by harnessing and developing the skills of our employees (Goal 4). Providing these services in an ethical and responsible manner (Goals 5 and 16). This in turn stimulates growth of the Group, its subsidiaries and strategic partners (Goals 8 & 17), and as a result the wider economy. Below we highlight how our business aligns to selected SDGs.

## Value Created for Stakeholders Continued

In this report we disclose our performance on selected SDGs, however, we are in the process of enhancing our monitoring and measurement of our contributions to the SDGs,

Economic	Social		Governance		
<p><b>SDG8 – Decent work and economic growth</b></p>	<p><b>SDG3 – Ensuring healthy outcomes</b></p>	<p><b>SDG 4 – Quality education</b></p>	<p><b>SDG5 – Gender equality</b></p>	<p><b>SDG16 – Peace, justice, and strong institutions</b></p>	<p><b>SDG17 – Partnerships for the goals</b></p>
<p>SDG Target 8.5 – Achieve full and productive employment and decent work for all</p>	<p><b>SDG Target 3.1</b> – Reduce the global maternal mortality ratio.  <b>SDG Target 3.2</b> – End preventable deaths of newborns and children under 5 years of age.  <b>SDG Target 3.3</b> – End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases, and other communicable diseases.  <b>SDG Target 3.4</b> – Reduce premature mortality from non-communicable diseases.  <b>SDG Target 3.5</b> – Prevent substance abuse.  <b>SDG Target 3.6</b> – Halve the number of global deaths and injuries from road traffic accidents.  <b>SDG Target 3.7</b> – Ensure universal access to sexual and reproductive health-care services.  <b>SDG Target 3.8</b> – Achieve universal health coverage.  <b>SDG Target 3.a</b> – Tobacco control.  <b>SDG Target 3.b</b> – Improve vaccines and medicine access.  <b>SDG Target 3.c</b> – Substantially increase health financing and the recruitment, development, training, and retention of the health workforce.  <b>SDG Target 3.d</b> – Early risk warning</p>	<p>SDG Target 4.4 – Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship</p>	<p>SDG Target 5.5 – Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life</p>	<p>SDG Target 16.5 – Substantially reduce corruption and bribery in all their forms</p>	<p>SDG Target 17.1 – Strengthen domestic resource mobilization</p>

## Value Created for Stakeholders Continued

SDG Indicators					
Economic	Social			Governance	
<b>SDG8 – Decent work and economic growth</b>	<b>SDG3 – Ensuring healthy outcomes</b>	<b>SDG 4 – Quality education</b>	<b>SDG5 – Gender equality</b>	<b>SDG16 – Peace, justice, and strong institutions</b>	<b>SDG17 – Partnerships for the goals</b>
No. of employees	Maternal mortality ratio of Bomaïd Members Neonatal mortality rate & under-5 mortality rate of Bomaïd beneficiaries HIV prevalence rate of Bomaïd Members Communicable disease prevalence of Bomaïd Members Mortality rate of Bomaïd Members attributed to cardiovascular disease, cancer, diabetes, or chronic respiratory disease. Death rate of Bomaïd Members due to road traffic injuries Proportion of Bomaïd female Members and beneficiaries of reproductive age (aged 15-49 years) who have their need for family planning satisfied with modern methods. Adolescent birth rate (aged 10-14 years; aged 15-19 years) per 1,000 women (Bomaïd Members & beneficiaries) in that age group Bomaïd Members provided with access to essential health services. No. of health workers trained	1.25% decrease in staff training. Professional subscriptions paid by organization. Refresher training on Thobo system	66% % of women in workforce 33% % of women in executive management 22% of women at board level	Anti-Money Laundering and Cyber security e-learning courses completed by staff BAOA audit completed KYC work started	New Health Care Practitioner Contract Framework Agreement for HFAB

# Tradeoffs

In creating value for stakeholders and managing risks, we are forced to make certain trade-offs. These trade-offs have impacts on our capitals, our stakeholders, and our achievement of strategic objectives. Below we highlight some of the trade-offs we must manage in our operations.

## Ensuring our financial sustainability and fund performance, whilst improving our service provision

### Stakeholders affected

Members and beneficiaries  
Investors

### Impact on strategy

It is necessary for us to invest in our IT infrastructure to enhance our ability to provide services to our Members. However, this decreases our financial resources for other investments.

However, Members have responded positively to our enhanced digital platforms and communication channels, and the increased peace of mind from our more secure platforms will further enhance member satisfaction. We achieved this while producing good financial performance. We expect that as we become more efficient, we can create further value for our stakeholders.

Additionally, the Group has invested in improvements to the premises in which we operate – specifically Bomaïd House and the clinic at Airport Junction to further enhance the customer experience.

MRI also invested in the acquisition of emergency response vehicles.

Members and beneficiaries  
Investors

During the last year, we experienced increased utilization of medical aid services owing to an escalation in COVID-19 cases. This was also driven by the COVID-19 cover which covered Members 100% for COVID-19 hospitalisation and treatment. As a result, our financial performance was negatively affected. On the other hand, the business of MRI depends upon foot traffic at its clinics and pharmacies for revenue generation. The lifting of the restrictions and the high incidence of COVID-19 resulted in increased revenue for the subsidiary.

Members and beneficiaries  
Employees

We believe that human capital is a key enabler of our performance, and we need to be able to reward our employees appropriately in return for their efforts. However, increasing employee costs affects our financial performance over the short term, while the benefits are delivered over a longer term. We need to balance our financial resources whilst ensuring that we continue to build and develop our talent pipelines.

Suppliers Members  
Regulators Government

We are committed to empowering local service providers and enhancing our supply chain. However, we are also mindful that our standards of quality and good governance must always remain high. In addition, our duty to be prudent with our financial capital and that of our Members necessitates that our partnerships provide real value to Members.



# Corporate Social Responsibility



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# Corporate Social Responsibility

## 2021 CSR Activities

**Bomaid engages with the broader society through its Corporate Social Responsibility (CSR) policy. The Fund's Corporate Citizenship Policy was approved in 2020. Since then, Bomaid has initiated both short-term projects as well as sustained engagements. These initiatives have increasingly leaned towards our wellness-focused footing by addressing aspects of health and general wellbeing.**

## Gosemama JSS

Bomaid welcomed an opportunity to support the government-led Adopt-A-School initiative, which aligned with our CSR Policy guiding principles. Aligning with the United Nations sustainable development goals (SDGs), particularly SDG4, namely to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all,

Bomaid continued its support for Gosemama Junior Secondary School in Goo-Tau, Tswapong in the Central District. Initially, the support was for the school's annual Prize Giving Ceremony to recognise academic excellence and encourage diligence in students by rewarding their hard work.



## Corporate Social Responsibility Continued

Subsequently, in 2019, Bomaid decided to sign a Memorandum of Agreement (MOU) to adopt the school for a three-year period, with an annual budget of BWP 100 000.00 (One hundred thousand Pula). Guided by the CSR Policy, Bomaid embarked on the three-year plan, which included refurbishing and equipping the school library holistically. The refurbished building was outfitted with furniture, bookshelves, and study cubicles for the students.

The next phase of the sponsorship was to install 10 computers, a scanner, a printer, an overhead projector, and an air conditioner in the library. However, due to COVID-19 disruptions, the electronic equipment was delivered in phases and the whole exercise was concluded in the year under review.



Looking forward, the existing MOU is expected to end in 2022 when the school kitchen will be refurbished. The intention is to help support the nutritional needs of students with a modern food preparation space and relevant equipment. Bomaid intends to continue with support for the school's annual Prize Giving Ceremony for the foreseeable future.



**Bomaid decided to sign a Memorandum of Agreement (MOU) to adopt the school for a three-year period, with an annual budget of BWP 100 000.00 (One hundred thousand Pula).**



## Corporate Social Responsibility Continued

### Team UHURU Mount Kilimanjaro Expedition

In 2021, Bomaid took the opportunity to support and assist rape survivors by way of availing counselling through sponsoring Team Uhuru. The collective was initiated by a rape survivor who felt that more could be done to support the mental and emotional wellbeing of child rape survivors. To help achieve the objective, the team raised awareness about the issue, followed by the facilitation of counselling for the young rape survivors.

Aptly named, "Team Uhuru Peak Expedition," the eight-member troupe initially undertook a 48km hike from Gaborone to Otse to raise awareness against rape crimes. The slogan was: "Ngwana o ruta ngwana; End Rape Culture". The team then embarked on the more exacting expedition of hiking up to the summit of Mount Kilimanjaro in Tanzania. The aim was to raise funds and awareness of its mission in defense of sexually abused children. The team managed to crest the peak of Africa's highest point on the 30th of September, 2021.

Once the team returned to Botswana after a successful trip up Kilimanjaro, the team then activated its counselling services initiative. The counselling sessions were provided in partnership with the

Gaborone Rehabilitation Centre and Stepping Stones International, a non-governmental organisation. Bomaid supported the Team Uhuru Peak Expedition initiative with BWP 70,000.00 (seventy thousand Pula). This initiative gave Bomaid an opportunity to support SDG5 – to achieve gender equality and empower all women and girls, and to make a stand against all forms of violence against women and girls.



## Corporate Social Responsibility Continued



### 50K for 50 Families

In commemoration of Bomaïd's 50th anniversary and its CSR mission to engage with communities, the Fund donated BWP 50,000.00 (fifty thousand pula) worth of food to 50 families across the country. The concept arose out of concern for families who may be going through more difficult times than most.

The 50K for 50 Families initiative was driven by

Bomaïd staff who rallied resources to purchase and donate non-perishable food donations. The idea inspired the management to support the staff's contribution to achieve their goal. Bomaïd Members were involved too, as they were tasked with helping to identify and nominate the families in need. It was a fervent reminder that by combining our collective efforts, we can all make a difference, more so during the COVID-19 global pandemic.

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## Corporate Social Responsibility Continued



### Bom50run50 Virtual Fun Run

Mindful of its health mandate, Bomaid further celebrated its milestone 50th anniversary through the Bom50Run50 Fun Run that was open to the public. The online initiative hosted over 200 people who participated in weekly running target distances with the goal of including a diverse range of runners. The target distances were designed to be an attainable goal for most runners, but one that got progressively more challenging over time. It is for this reason that some of the prizes (specifically the Week 2 Run prizes) were spread across competencies; 1) Most Improved to encourage the effort of “recreational” runners; 2) Most Consistent to applaud the resilience

of the “disciplined” runners; and, 3) Leaderboard to acknowledge the strongest runners. The participants ran in their own time at their own pace to encourage a safe competitive environment while observing good social distancing.

The Fund’s CEO, Mr. Moraki Mokgosana, said, “Bomaid’s story has been one where the organisation learnt to run early on by being the first medical aid provider in the country. The company only went from strength-to-strength year on year, taking all the highs and lows as lessons for the future – but never slowing down as we advanced over the years. After 50 years of leading the industry, we find ourselves fitter, leaner,

## Corporate Social Responsibility Continued

Wiser and highly capable in how we assure the health and wellness of our Members. It was truly amazing to see runners of all fitness levels embrace this initiative that they could enjoy safely while improving their health and wellness," he concluded.

The runners ran a total of 50 000 kilometers while actively improving their health and wellness. Weekly winners were rewarded with varying gift vouchers, each redeemable at partner fitness stores such as Grip Runner and Garmin.



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## Corporate Social Responsibility Continued



### Bomaid Excellence Award (University of Botswana Faculty of Health Sciences)

In our continuing bid to highlight and recognise excellence, Bomaid entered into a partnership with the University of Botswana (UB) Faculty of Health Sciences to award

the best performing student on an annual basis. This award recognises students who work hard within the health sphere and aim to make a positive contribution to the health and wellbeing of Botswana. The award also carries a BWP 5, 000.00 (five thousand pula) incentive to the winning student.

The recipient of the award at the 2021 Bomaid Excellence Award was Lesego Helen Metsing who was the top student in the Faculty of Health Science at UB. The 2021 top student in the Faculty of Health Science

is Lesego Helen Metsing. She is currently working at Goodhope Clinic as a Family Nurse Practitioner. After self-sponsoring her studies, Lesego graduated with a first class/distinction and became a top achiever.



### CSR OUTLOOK

Bomaid will continue to fulfil its mandate of being a good corporate citizen and ensure that we give back to the communities where we operate. Increasingly, the CSR initiatives will focus more on wellness and health related initiatives as we roll out the latest 5-year strategy. We expect to continue our support for the Diacore Gaborone Marathon when it finally returns in 2022, and for the Walk of Hope and the Komatsu AM600 cycling challenge, which are all health and community development focused initiatives that Bomaid is proud to be aligned with.



# Consolidated and Separate Financial Statements

For the year ended 31 December 2021

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**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

## General Information

Country of incorporation and domicile Botswana

Botswana

Nature of business and principal activities

The Society raises funds from and grants assistance to its Members and their dependants to defray medical expenses.

Board of Trustees

E Maite	Chairman
F Ferguson	Deputy Chairman
J Ghanie	
O Ramasedi	
L Motladile	
R Lebelonyane	Appointed 17 February 2021
L Klein	Appointed 17 February 2021
B Mhozya	Appointed 15 November 2021
L Andries	Resigned 22 December 2021

Principal Officer

Moraki Mokgosana

Secretary

Moraki Mokgosana

Registered office Bankers

Plot 50638, Fairgrounds Office Park,  
Gaborone, Botswana

Bankers

Access Bank of Botswana Limited  
Bank Gaborone Limited  
ABSA Bank Botswana Limited  
First National Bank of Botswana Limited First Rand Bank  
Limited - South Africa Stanbic Bank of Botswana Limited  
Standard Chartered Bank Botswana Limited

Independent auditors

Deloitte & Touche, Plot 64518, Fairgrounds, Gaborone  
Botswana

Functional Currency

Botswana Pula (P)

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021



### **Board of Trustees' Responsibility Statement and Approval of the Consolidated and Separate Financial Statements**

The Board of Trustees ("the Board") is responsible for the preparation and fair presentation of the consolidated and separate financial statements ("financial statements") of Botswana Medical Aid Society ("the Society") and its subsidiaries ("the Group"), comprising the consolidated and separate statements of financial position as at 31 December 2021, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Society's Rules and the Societies Act of Botswana.

The Board is required by the Society's Rules and the Societies Act of Botswana, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group and Society as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Board's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The consolidated and separate financial statements are prepared in accordance with IFRS and in the manner required by the Society's Rules and the Societies Act of Botswana and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board's responsibility also includes maintaining adequate accounting judgements and an effective system of risk management as well as the preparation of the supplementary schedules included in these consolidated and separate financial statements.

The Board acknowledge that they are ultimately responsible for the system of internal financial control established by the Society and place considerable importance on maintaining a strong control **Board of**

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## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021



### **Trustees' Responsibility Statement and Approval of the Consolidated and Separate Financial Statements** Continued

environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Society's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.


The Board has made an assessment of the ability of the Group to continue as going concerns and have no reason to believe the businesses will not be going concerns in the year ahead.

The independent auditors are responsible for independently auditing and reporting on the group's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's independent auditors and their report is presented on pages 125 to 128.

Approval of the consolidated and separate financial statements of the Society

The consolidated and separate financial statements set out on pages 129 to 216 which have been prepared on the going concern basis, we approved and authorised for issue on 28 April 2022 by the Board of Trustees and were signed on its behalf by:

  
Risk and Audit Committee Chairperson

  
Board Chairperson

  
Principal Officer



## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY

### KEY AUDIT MATTER

### HOW THE MATTER WAS ADDRESSED IN THE AUDIT

#### VALUATION OF THE OUTSTANDING CLAIMS PROVISION (CONSOLIDATED AND SEPARATE)

The outstanding claims provision comprises provisions for the Society's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date.

The determination of the outstanding claims provision requires the Society's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date. The Trustees make use of independent actuarial specialists for the estimation of the outstanding claims provision.

The outstanding claims provision calculation is based on the following of factors:

- Previous experience in claims patterns.
- Claims settlement patterns.
- Changes in the nature and number of Members according to gender and age.
- Trends in claims frequency.
- Changes in the claims processing cycle.
- Variations in the nature and average cost per claim.

Certain of the above-mentioned factors require significant judgements and assumptions to be made by the Society's Trustees. Due to the significance of the outstanding claims provision together with the significant judgements and assumptions involved in determining the provision we have identified the valuation of the outstanding claims provision as a key audit matter.

The outstanding claims provision is disclosed in Note 19.

In evaluating the valuation of the outstanding claims provision, we performed various procedures including the following:

- Tested the design and implementation of the Society's controls relating to the estimation of the outstanding claims provision calculation.
- With the assistance of our internal actuarial specialists, we performed an independent calculation of the estimate of the provision using historical claims data and trends and used this estimate as a basis of assessing the reasonableness of the Trustees' estimate of the provision.
- Tested the integrity of the information used in the calculation of the outstanding claims provision by selecting samples of claims and tracing them to supporting invoices.
- Performed a retrospective review of the outstanding claims provision raised in the 2020 financial year based on actual claims paid in 2021 to verify that the assumptions applied to determine the outstanding claims provision are reasonable.
- Performed tests of detail on the current year outstanding claims provision including testing actual claims experience after year end and as close as possible to audit completion date.
- Assessed the presentation and disclosure in respect of the outstanding claims provision and considered whether the disclosures reflected the risks inherent in the accounting for the outstanding claims provision and the requirements of IFRS.

The assumptions applied in the outstanding claims provision valuation are appropriate and we are satisfied that the valuation of the outstanding claims provision in the Statements of Financial Position is appropriate.

The disclosure of the outstanding claims provision provisions and related assumptions are appropriate.



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY**

### **OTHER INFORMATION**

The Trustees are responsible for the other information. The other information comprises the Trustees' Responsibility Statement and Approval of the Consolidated and Separate Financial Statements and the General Information. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THE TRUSTEES FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

The Trustees are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and separate financial statements, the Trustees are responsible for assessing the Society's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BOTSWANA MEDICAL AID SOCIETY**

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's or Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's or Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society and the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche  
Firm of Certified Auditors  
Practicing Member: Pragnaben Naik (CAP 007 2022)

Gaborone  
29 April 2022



## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note	Consolidated		Separate	
		2021	2020	2021	2020
<b>Continuing operations</b>					
Revenue	20	821,906,522	775,532,676	771,909,724	740,527,703
Benefits paid	21	(714,309,717)	(484,592,397)	(786,624,224)	(553,706,997)
Direct costs		(93,703,010)	(86,040,287)	-	-
<b>Gross profit/(loss)</b>		<b>13,893,795</b>	<b>204,899,992</b>	<b>(14,714,500)</b>	<b>186,820,706</b>
Reversal/(impairment) of financial assets	22	163,704	(2,439,515)	904,521	(2,385,033)
Administration expenses		(129,677,055)	(115,346,137)	(102,871,975)	(95,421,359)
<b>Operating (loss)/surplus</b>	<b>22</b>	<b>(115,619,556)</b>	<b>87,114,340</b>	<b>(116,681,954)</b>	<b>89,014,314</b>
Finance income	23	10,166,730	7,623,765	10,144,778	7,590,846
Finance costs	24	(1,221,911)	(1,296,069)	(102,315)	(18,794)
Dividend and other income		5,896,775	3,314,371	5,793,058	2,997,520
(Loss)/profit on sale of financial assets		(1,112,199)	2,132,976	(1,112,199)	2,132,976
<b>(Loss)/surplus before taxation</b>		<b>(101,890,161)</b>	<b>98,889,383</b>	<b>(101,958,632)</b>	<b>101,716,862</b>
Taxation (expense)/credit	26	(148,454)	305,053	-	-
<b>(Loss)/surplus from continuing operations</b>		<b>(102,038,615)</b>	<b>99,194,436</b>	<b>(101,958,632)</b>	<b>101,716,862</b>
<b>Discontinued operations</b>		<b>(102,038,615)</b>	<b>99,194,436</b>	<b>(101,958,632)</b>	<b>101,716,862</b>
Loss from discontinued operations	28	(674)	(1,588)	-	-
<b>(Loss)/surplus for the year</b>		<b>(102,039,289)</b>	<b>99,192,848</b>	<b>(101,958,632)</b>	<b>101,716,862</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Gains on property revaluation	3	-	13,711,466	-	8,228,166
Revaluation of equity instruments at fair value through other comprehensive income	14	15,432,642	2,627,815	15,432,642	2,627,815
Capital gains deferred taxation release/(charge) on property revaluation reserve		97,265	(546,448)	-	-
<b>Total items that will not be reclassified to profit or loss</b>		<b>15,529,907</b>	<b>15,792,833</b>	<b>15,432,642</b>	<b>10,855,981</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Profit or Loss and Other Comprehensive Income Continued

Figures in Pula	Note	Consolidated		Separate	
		2021	2020	2021	2020
<b>Items that may be reclassified to profit or loss:</b>					
Revaluation of debt instruments at fair value through other comprehensive income	14	(4,075,520)	2,321,400	(4,075,520)	2,321,400
<b>Other comprehensive income for the year net of taxation</b>		<b>11,454,387</b>	<b>18,114,233</b>	<b>11,357,122</b>	<b>13,177,381</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(90,584,902)</b>	<b>117,307,081</b>	<b>(90,601,510)</b>	<b>114,894,243</b>
<b>(Loss)/surplus attributable to:</b>					
Members of the Society		(102,054,577)	99,251,250	(101,958,632)	101,716,862
Non-controlling interests		15,288	(58,402)	-	-
		<b>(102,039,289)</b>	<b>99,192,848</b>	<b>(101,958,632)</b>	<b>101,716,862</b>
<b>Members of the Society:</b>					
From continuing operations		(102,053,903)	99,252,838	(101,958,632)	101,716,862
From discontinued operations		(674)	(1,588)	-	-
		<b>(102,054,577)</b>	<b>99,251,250</b>	<b>(101,958,632)</b>	<b>101,716,862</b>
<b>Non-controlling interest:</b>					
From continuing operations		15,288	(58,402)	-	-
<b>Total comprehensive (loss)/income attributable to:</b>					
Members of the Society		(90,606,026)	117,069,272	(90,601,510)	114,894,243
Non-controlling interests		21,124	237,809	-	-
		<b>(90,584,902)</b>	<b>117,307,081</b>	<b>(90,601,510)</b>	<b>114,894,243</b>

The accounting policies on pages 15 to 28 and the notes on pages 29 to 62 form an integral part of the consolidated and separate financial statements.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note	Consolidated		Separate	
		2021	2020	2021	2020
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	73,650,385	69,074,061	37,648,425	35,520,037
Right-of-use assets	4	8,224,469	6,931,782	391,403	-
Intangible assets	5	2,739,909	3,318,076	2,403,236	3,204,315
Investments in subsidiaries	6	-	-	14,482,077	14,482,077
Equity instruments at fair value through other comprehensive income	7	112,120,878	99,311,548	112,120,878	99,311,548
Debt instruments at fair value through other comprehensive income	8	123,354,586	121,622,969	123,354,586	121,622,969
Deferred tax	9	-	68,075	-	-
		<b>320,090,227</b>	<b>300,326,511</b>	<b>290,400,605</b>	<b>274,140,946</b>
<b>Current Assets</b>					
Inventories	10	7,456,078	5,991,330	-	-
Trade and other receivables	11	19,667,305	13,923,273	15,405,378	8,567,232
Current tax receivable		705,648	631,048	-	-
Cash and cash equivalents	12	198,592,003	268,717,706	197,358,746	262,682,824
		<b>226,421,034</b>	<b>289,263,357</b>	<b>212,764,124</b>	<b>271,250,056</b>
<b>Total Assets</b>		<b>546,511,261</b>	<b>589,589,868</b>	<b>503,164,729</b>	<b>545,391,002</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
<b>Equity Attributable to Members of the Society</b>					
Low claim reserve	13	461,910	461,910	461,910	461,910
Financial assets revaluation reserve	14	182,860,839	176,086,250	182,860,839	176,086,250
Property revaluation reserve	15	34,091,668	34,000,239	28,136,484	28,136,484
Accumulated funds		165,753,860	261,327,668	159,055,518	254,533,381
		383,168,277	471,876,067	370,514,751	459,218,025

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Profit or Loss and Other Comprehensive Income Continued

Figures in Pula	Note	Consolidated		Separate	
		2021	2020	2021	2020
Non-controlling interest		1,556,261	1,535,137	-	-
		<b>384,724,538</b>	<b>473,411,204</b>	<b>370,514,751</b>	<b>459,218,025</b>
<b>Liabilities</b>					
<b>Non-Current Liabilities</b>					
Borrowings	16	6,395,914	6,230,681	-	-
Lease liabilities	4	7,743,142	6,183,095	332,737	-
Deferred tax	9	53,509	-	-	-
		<b>14,192,565</b>	<b>12,413,776</b>	<b>332,737</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade and other payables	17	54,789,381	35,668,592	40,805,248	21,293,635
Borrowings	16	929,120	717,844	-	-
Lease liabilities	4	2,036,164	2,082,345	84,142	-
Subscriptions in advance	18	7,695,962	9,109,338	7,025,738	8,400,917
Outstanding claims	19	82,143,531	56,186,769	84,402,113	56,478,425
		<b>147,594,158</b>	<b>103,764,888</b>	<b>132,317,241</b>	<b>86,172,977</b>
<b>Total Liabilities</b>		<b>161,786,723</b>	<b>116,178,664</b>	<b>132,649,978</b>	<b>86,172,977</b>
<b>Total Equity and Liabilities</b>		<b>546,511,261</b>	<b>589,589,868</b>	<b>503,164,729</b>	<b>545,391,002</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Changes in Equity

Figures in Pula	Low claim reserve	Property revaluation reserve	Financial assets revaluation reserve	Total reserves	Accumulated funds	Total attributable to Members of the Society	Non-controlling interests	Total member funds and reserves
<b>Consolidated</b>								
<b>Balance at 01 January 2020</b>	<b>461,910</b>	<b>21,131,432</b>	<b>171,137,035</b>	<b>192,268,467</b>	<b>162,076,418</b>	<b>354,806,795</b>	<b>1,297,328</b>	<b>356,104,123</b>
Surplus/(loss) for the year	-	-	-	-	99,251,250	99,251,250	(58,402)	99,192,848
Other comprehensive income for the year	-	12,868,807	4,949,215	17,818,022	-	17,818,022	296,211	18,114,233
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>12,868,807</b>	<b>4,949,215</b>	<b>17,818,022</b>	<b>99,251,250</b>	<b>117,069,272</b>	<b>237,809</b>	<b>117,307,081</b>
<b>Balance at 31 December 2020</b>	<b>461,910</b>	<b>34,000,239</b>	<b>176,086,250</b>	<b>210,086,489</b>	<b>261,327,668</b>	<b>471,876,067</b>	<b>1,535,137</b>	<b>473,411,204</b>
(Loss)/surplus for the year	-	-	-	-	(102,054,577)	(102,054,577)	15,288	(102,039,289)
Other comprehensive income for the year	-	91,429	11,357,122	11,448,551	-	11,448,551	5,836	11,454,387
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>91,429</b>	<b>11,357,122</b>	<b>11,448,551</b>	<b>(102,054,577)</b>	<b>(90,606,026)</b>	<b>21,124</b>	<b>(90,584,902)</b>
Realised revaluation gain on equity instruments at fair value through other comprehensive income	-	-	(6,480,769)	(6,480,769)	6,480,769	-	-	-
Realised revaluation loss on debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	1,898,236	1,898,236	-	1,898,236	-	1,898,236
<b>Balance at 31 December 2021</b>	<b>461,910</b>	<b>34,091,668</b>	<b>182,860,839</b>	<b>216,952,507</b>	<b>165,753,860</b>	<b>383,168,277</b>	<b>1,556,261</b>	<b>384,724,538</b>
Note(s)	13	15						

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Changes in Equity Continued

Figures in Pula	Low claim reserve	Property revaluation reserve	Financial assets revaluation reserve	Total reserves	Accumulated funds	Total attributable to Members of the Society
<b>Separate</b>						
<b>Balance at 01 January 2020</b>	<b>461,910</b>	<b>19,908,318</b>	<b>171,137,035</b>	<b>191,045,353</b>	<b>152,816,519</b>	<b>344,323,782</b>
Surplus for the year	-	-	-	-	101,716,862	101,716,862
Other comprehensive income for the year	-	8,228,166	4,949,215	13,177,381	-	13,177,381
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,228,166</b>	<b>4,949,215</b>	<b>13,177,381</b>	<b>101,716,862</b>	<b>114,894,243</b>
<b>Balance at 31 December 2020</b>	<b>461,910</b>	<b>28,136,484</b>	<b>176,086,250</b>	<b>204,222,734</b>	<b>254,533,381</b>	<b>459,218,025</b>
Loss for the year	-	-	-	-	(101,958,632)	(101,958,632)
Other comprehensive income for the year	-	-	11,357,122	11,357,122	-	11,357,122
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>-</b>	<b>11,357,122</b>	<b>11,357,122</b>	<b>(101,958,632)</b>	<b>(90,601,510)</b>
Realised revaluation gain on equity instruments at fair value through other comprehensive income	-	-	(6,480,769)	(6,480,769)	6,480,769	-
Realised revaluation loss on debt instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	1,898,236	1,898,236	-	1,898,236
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(4,582,533)</b>	<b>(4,582,533)</b>	<b>6,480,769</b>	<b>1,898,236</b>
<b>Balance at 31 December 2021</b>	<b>461,910</b>	<b>28,136,484</b>	<b>182,860,839</b>	<b>210,997,323</b>	<b>159,055,518</b>	<b>370,514,751</b>
Note(s)	13	15				

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Statements of Cash Flows**

<b>Figures in Pula</b>	<b>Note(s)</b>	<b>Consolidated</b>		<b>Separate</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>					
(Loss)/surplus before taxation		(101,890,161)	98,889,383	(101,958,632)	101,716,862
<b>Adjustments for:</b>					
Depreciation of property, plant and equipment		5,341,777	5,290,944	2,608,090	2,709,923
Amortisation of right of use of assets		2,784,315	2,739,089	710,440	650,850
Amortisation of intangible assets		850,376	801,079	801,079	801,079
(Profit)/loss on disposal of property, plant and equipment		(8,417)	(586,523)	38,086	(212,208)
Loss/(profit) on sale of financial assets		1,112,199	(2,132,976)	1,112,199	(2,132,976)
Effect of termination of leases		(1,424)	(114,526)	-	-
Effect of exchange rate movement on cash balances		165,868	652,077	165,868	652,077
Finance costs		1,221,911	1,296,069	102,315	18,794
Unrealised foreign exchange gains		-	(989,303)	-	(989,303)
Dividends income		(4,639,399)	(2,364,261)	(4,639,399)	(2,364,261)
(Impairment)/reversal of financial assets		(163,704)	2,439,515	(904,521)	2,385,033
Finance income		(10,166,730)	(7,623,765)	(10,144,778)	(7,590,846)
<b>Changes in working capital:</b>					
Inventories		(1,464,748)	(625,413)	-	-
Trade and other receivables		(5,580,328)	(7,234,807)	(5,933,625)	(6,715,941)
Trade and other payables		19,120,789	5,845,637	19,511,613	3,583,139
Subscriptions in advance		(1,413,376)	6,901,536	(1,375,179)	7,032,982
Outstanding claims		25,956,762	855,293	27,923,688	(1,284,272)
Discontinued operations		(674)	(1,588)	-	-
<b>Cash (used in)/generated from operations</b>		<b>(68,774,964)</b>	<b>104,037,460</b>	<b>(71,982,756)</b>	<b>98,260,932</b>
Taxation paid	27	(4,205)	(63,131)	-	-
<b>Net cash (to)/from operating activities</b>		<b>(68,779,169)</b>	<b>103,974,329</b>	<b>(71,982,756)</b>	<b>98,260,932</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Statements of Cash Flows Continued

Figures in Pula	Note(s)	Consolidated		Separate	
		2021	2020	2021	2020
<b>Cash flows to investing activities</b>					
Purchase of property, plant and equipment	3	(9,973,037)	(8,421,052)	(4,783,538)	(5,244,216)
Sale of property, plant and equipment proceeds		63,353	648,150	8,974	273,835
Additions to intangible assets	5	(272,209)	(106,691)	-	-
Purchase of investments at fair value		(1,952,697)	(11,979,103)	(1,952,697)	(11,979,103)
Finance income		9,721,639	7,623,765	9,699,687	7,590,846
Dividends received		4,639,399	2,364,261	4,639,399	2,364,261
<b>Net cash generated from/(used) in investing activities</b>		<b>2,226,448</b>	<b>(9,870,670)</b>	<b>7,611,825</b>	<b>(6,994,377)</b>
<b>Cash flows to financing activities</b>					
Repayment of borrowings		(717,961)	(2,284,625)	-	-
Payment on lease liabilities		(2,561,712)	(2,261,763)	(684,964)	(680,894)
Finance costs		(1,221,911)	(1,296,069)	(102,315)	(18,794)
Proceeds from borrowings		1,094,470	-	-	-
<b>Net cash used in financing activities</b>		<b>(3,407,114)</b>	<b>(5,842,457)</b>	<b>(787,279)</b>	<b>(699,688)</b>
<b>Total cash movement for the year</b>		<b>(69,959,835)</b>	<b>88,261,202</b>	<b>(65,158,210)</b>	<b>90,566,867</b>
Cash at the beginning of the year		268,717,706	181,108,581	262,682,824	172,768,034
Effect of exchange rate movement on cash balances		(165,868)	(652,077)	(165,868)	(652,077)
<b>Total cash at end of the year</b>	<b>12</b>	<b>198,592,003</b>	<b>268,717,706</b>	<b>197,358,746</b>	<b>262,682,824</b>



## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies**

#### 1. General information

Botswana Medical Aid Society is a medical aid fund registered in Botswana under the Societies Act. The consolidated financial statements comprise the consolidated financial position and results of the Society and its subsidiaries (together referred to as the “Group”). The accounting policies below apply to both the consolidated and separate financial statements.

##### 1.1 Basis of preparation and statement of compliance

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (“IFRS”) and in a manner required the Society’s Rules and Societies Act of Botswana.

The financial statements are prepared on the historical cost basis except for certain financial instruments and leasehold land and buildings which are stated at fair value. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The

financial statements are presented in Pula, which is the Group and Society’s functional currency.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

Significant judgements in the application of International Financial Reporting Standards consist mainly of the evaluation of the carrying amount of the investment in subsidiaries for possible impairment (per note 6), the assessment of residual values and depreciation rates applied to property, plant and equipment items (per note 3), the revaluation of leasehold land and buildings, (per note 3) the evaluation of trade and other receivables for possible impairment (per note 11) and calculating the provision for outstanding claims (per note 19).

#### 1.2 Consolidation

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Society and entities (including structured entities) controlled by the Society and its subsidiaries. Control is achieved when the Society:

- has power over the investee;
- exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Society reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Society has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Society considers all relevant facts and circumstances in assessing whether or not the Society's voting rights in an investee are sufficient to give it power, including:

- the size of the Society's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Society, other vote holders or other parties;
- rights arising from other contractual arrangements; and

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.2 Consolidation (continued)

- any additional facts and circumstances that indicate that the Society has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous Directors' meetings.

Consolidation of a subsidiary begins when the Society obtains control over the subsidiary and ceases when the Society loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Society gains control until the date when the Society ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the Members of the Society and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the Members of the Society and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Members of the Group are eliminated in full on consolidation.

#### Non-controlling interests

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition. After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses.

#### 1.3 Interest in subsidiaries

In the Society's consolidated and separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

- the fair value, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the Society; and
- any costs directly attributable to the purchase of the subsidiary.

#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Leasehold land and buildings are stated at valuation on the basis of the most recently established open market values with current additions measured at cost. Valuations are obtained from professional independent third parties with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the reporting date. The group currently obtains valuations of leasehold land and buildings every five years.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated under the heading of properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Significant Accounting Policies** Continued**1.4 Property, plant and equipment** (continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets

are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Leasehold property	Straight line	Lower of useful life and remaining lease period
Furniture and fixtures	Straight line	4 - 10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	4 - 10 years
IT equipment	Straight line	4 years
Leasehold improvements	Straight line	Lower of 5 years and remaining lease period

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

Work-in-progress includes the costs of materials, labour and other costs incurred in the construction of work-in-progress at reporting date. Work-in-progress is transferred to property, plant and equipment when the assets are completed and commissioned. Work-in-progress is not depreciated and depreciation commences at the earliest of when the asset is available for use or when the asset is commissioned.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differs from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an

impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
  - the cost of the asset can be measured reliably.
- Intangible assets are initially recognised at cost.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Significant Accounting Policies** Continued**1.5 Intangible assets** (continued)

Expenditure on the research phase of a project is recognised as an expense when it is incurred. Internally generated brands, goodwill and items similar in substance are not recognised as intangible assets.

Projects to develop software are recognised when:

- it is technically feasible to complete the project so that it will be available for use.
- there is an intention to complete and use the software.
- there is an ability to use the software.
- the software will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequently, intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets are tested for

impairment and the remaining carrying amount is amortised over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every reporting period-end. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software	Straight line	5 years

**1.6 Financial instruments**

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that incremental and directly attributable to the

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is

either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

#### Financial assets

Classification and subsequent measurement

The group classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI);
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

#### Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.



## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.6 Financial instruments (continued)

Classification and subsequent measurement of debt instruments depend on:

- the group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the group classifies its debt instruments into one of the following two measurement categories:

##### **Amortised cost:**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

##### **Fair value through other comprehensive income (FVOCI):**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'profit on sale of financial assets'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

##### **Solely Payments of Principal and Interest (SPPI):**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

#### Equity instruments:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual

obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The group has irrevocably designated all equity investments at fair value through other comprehensive income with gains and losses reported in the statement of comprehensive income as other comprehensive income under the heading "Will not be reclassified to profit or loss".

#### Dividend income:

Dividend income is recognised in the period in which the dividends are declared.

#### Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.6 Financial instruments (continued)

##### Impairment of financial assets

The group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime expected credit loss for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime expected credit loss when there

has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

##### Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost:

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### Claims incurred

Claims incurred comprise the total estimated cost of all claims (including claim handling costs) arising from healthcare events that have occurred in the year and for which the Society is responsible in terms of its registered rules, whether or not reported by the end of the year.

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.6 Financial instruments (continued)

Net claims incurred comprise of the following:

- Claims submitted and accrued for services rendered during the year, net of discounts received, recoveries from Members for co-payments and personal medical savings accounts;
- Movements in the outstanding claims provision.

#### Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 1.7 Tax

##### Current tax assets and liabilities

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that

are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax

liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Tax expenses

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.7 Tax (continued)

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

All Group entities are subject to taxation except for the Society which is exempt from income taxation in terms of the second schedule of the Botswana Income Tax Act (Chapter 52:01).

#### 1.8 Leases

All leases for which the group is a lessee are accounted for by recognising a right-of-use asset and a lease liability.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, discounted using company's incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the

variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.



## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is calculated on the first-in-first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

#### 1.10 Impairment of assets

The carrying values of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit

exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

have been determined, net of depreciation and amortisation, if no impairment was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **1.11 Low claim reserve**

The Group rewards Members who make low or no claims. The reward is comprised of increased claim limits. Where necessary, a transfer is made each year from the operating surplus to the low claims reserve and costs of the increased limits are charged to the reserve. The reserve is however available for other purposes as may be determined by The Board of Trustees and Members.

#### **1.12 Employee benefits**

The Group has defined contribution pension schemes which are funded through payments to a pension scheme. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund and will have

no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. Contributions to an approved defined contribution pension plan are recognised in profit or loss in the year to which these costs relate.

Employees who are not Members of these approved pension funds and are not entitled to gratuities per their employment contracts, are entitled to severance benefits as regulated by the Employment Act Chapter 47:01 (2003) of Botswana.

Employee entitlements to annual leave, bonuses, medical aid, pension contributions and housing benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date.

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

#### 1.13 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### 1.14 Outstanding claims

This provision, known as the outstanding claims provision, is determined by way of statistically sound analyses of a number of factors, which include previous experience in claim patterns, claim settlement patterns, changes in the number of Members according to gender and age, trends in claim frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The provision is net of estimated recoveries from Members for co-payments. The actuaries follow a standard operating procedure governing the calculation of the provision as agreed with the Society to ensure consistency in application and interpretation of results. The Society does not discount its outstanding claims provision since the effect of the time value of money is not considered

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

material. The adequacy of the provision is assessed on a monthly basis, through reviews of past experience and consideration of changes in fundamentals such as claims processing and composition. Furthermore, the Society has standardised the provision calculation methodology and any deviation to this is adequately supported. The estimation of the provision gives an indication of whether the Society would have adequate assets to cover the potential liability from the Society contracts, as required by accounting policy. The Society has sufficient assets to cover any potential liability from insurance contracts as the cash and cash equivalents at year end cover the outstanding claims provision more than three times.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care organisations and historical evidence of the quantum of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation also

accommodates the processing and adjudication of different categories of claims (i.e. in hospital, chronic and above threshold benefits). This is caused by differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, the determination of the occurrence date of a claim, and reporting lags.

Members must submit all claims for payment within four months of seeking medical treatment (i.e. the date of service). The cost of outstanding claims at the reporting date is estimated with reference to the actual claims submitted within the first three months after the reporting date that relates to the period before the reporting date. The claims to be submitted in the fourth month, relating to the reporting period, are then extrapolated using the chain ladder method. The chain ladder is the most popular approach for calculating IBNR reserves for medical schemes. This method was originally developed for insurance losses where the period from occurrence to settlement was measured in years. The method has been adapted by medical schemes by using monthly claim development factors rather than annual development factors.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Significant Accounting Policies** Continued**1.15 Revenue from contracts with customers**

Revenue is recognised over time or at a specific point in time depending on the nature of the performance obligations embedded in the contract. Revenue recognition follows a five step model framework model listed below:

- Step 1:** Identify the contract(s) with a customer
- 
- Step 2:** Identify the performance obligations in the contract
- 
- Step 3:** Determine the transaction price
- 
- Step 4:** Allocate the transaction price to the performance obligations in the contract
- 
- Step 5:** Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for the goods or services.

Nature of products and services and timing of revenue recognition

Subscriptions represent the gross subscriptions receivable from active Members according to the registered rules. The earned portion of subscriptions received is recognised as revenue. Subscriptions are earned from the date of attachment of risk, over the indemnity period on a straight line basis. Subscriptions are presented before the deduction of service fees and other acquisition costs.

The Group also sells medical drugs and provides medical services, training and call centre services. Medical and call centre services are provided on a fixed term contract basis and are typically billed ratably over the term of the contract.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

#### 1.15 Revenue from contracts with customers

(continued)

Revenue from the sale of drugs is recognised at a specific point in time while revenue from all other services is recognised over time.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are recorded as progress payments to be billed also known as contract assets. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue also known as contract liability.

Member prepayments and overpayments to be allocated as payments against future billings are recorded and presented as subscriptions in advance on the statement of financial position.

Member over-payments which are not allocatable to future billings (due to member termination or refund request by a member) are refunded to the specific member. These amounts are included in trade and

other payables on the statement of financial position.

#### 1.16 Borrowing costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 1.17 Translation of foreign currencies

##### Foreign currency transactions

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### 1.18 Related party transactions

Related parties are defined as those parties that:

- a. directly, or indirectly through one or more intermediaries:
  - control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - have an interest in the entity that gives it significant influence over the entity; or
- b. are Members of the key management personnel of the entity or its parent including close Members of the family.

#### 1.19 Profit or loss from discontinued operations

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post tax profit or loss of

discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Notes 28).

#### 1.20 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty

The following are the critical judgements and estimations, that the Trustees have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated and separate financial statements.

#### Useful lives of property, plant and equipment

The group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy in the financial statements. These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Significant Accounting Policies Continued

#### 1.20 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty (continued)

##### Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and all other financial assets is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Allowance for slow moving, damaged and obsolete stock

An allowance to write down stock to the lower of cost or net realisable value. Management has made estimates on the selling price and direct costs to sell on certain inventory items.

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current last traded price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.



**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Significant Accounting Policies** Continued**1.20 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty** (continued)**Impairment testing for investments in subsidiaries**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the cash flows assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of investments in subsidiaries.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected

future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Significant Accounting Policies** Continued

expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### **Revaluation of leasehold land and buildings**

The key judgement applied in the valuation of leasehold land and buildings was the selection of the method deemed relevant for the valuation of the Group's properties. The fair value of leasehold land and buildings was determined based on the market comparable approach that reflect recent transaction prices for similar properties. The key estimate in applying the market comparable approach is the adjustment of recently transacted prices of similar properties to reflect the uniqueness of the Group's properties. The Trustees utilise independent professional valuers to minimise the level of estimation uncertainty.

#### **Determining whether the Society has control over subsidiaries**

The group holds 100% of the ordinary shares and voting rights in Southview Proprietary Limited.

The Trustees have assessed their involvement in Southview Proprietary Limited, MRI Botswana Limited and Bomaid Limited in accordance with IFRS 10's revised control definition and guidance. The Trustees have concluded that the Society has outright control in the decision making of these entities. In making its judgement, the Trustees considered the group's voting rights. Recent experience demonstrates the group is not prevented from exercising its ability to direct the relevant activities of Southview Proprietary Limited.

#### **Provisions**

Provisions are raised and management determines an estimate based on the information available.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Significant Accounting Policies** Continued**1.20 Critical judgements in applying accounting policies and significant judgements and sources of estimation uncertainty** (continued)**Outstanding claims provision**

The calculation of the outstanding claims provision involves key judgements and estimation uncertainties in defining applying the method of its measurement as agreed between the Society and its actuaries. The key judgement applied to this provision is the selection of the best method of computing the provision for outstanding claims. The chain ladder method is used by the Society to estimate its provision for outstanding claims liability. The estimation uncertainty arises from:

- Incurred but not reported claims; and
- Closed claims that later become reopened and have additional payments made.

The chain ladder method assumes that prior patterns of losses will exist in the future. The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims

development for the most recent benefit months for the day-to-day, in hospital, acute and chronic benefit categories of claims. Such estimation includes the assumptions around determining the cost of healthcare benefits that have occurred before the end of the accounting period but have not been reported to the Society by that date.

If no or insufficient allowance is made for these claims, the result is that the Scheme is likely to hold insufficient funds aside for paying claims. This in turn impacts the Society's cash flow and ability to honour claims. The Society does not discount its outstanding claims provision as the effect of the time value of money is not considered material.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements

#### 2. New Standards and Interpretations

effective for the current financial year and that are relevant to its operations:

##### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are

<b>Standard/ Interpretation:</b>	<b>Effective date:Years beginning on or after</b>	<b>Impact:</b>
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	01 January 2021	The impact of the amendments is not material to these financial statements.
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	The impact of the amendments is not material to these financial statements.
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	The impact of the amendments is not material to these financial statements.
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	The impact of the amendments is not material to these financial statements.
Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	The impact of the amendments is not material to these financial statements.
COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020	The impact of the amendment is not material to these financial statements.

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Notes to the Consolidated And Separate Financial Statements** Continued

#### 2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 January 2022 or later periods:

##### [Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12](#)

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The amendment is effective for financial years beginning on or after 01 January 2023. The impact of

this amendment is currently being assessed.

##### [Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.](#)

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the consolidated and separate financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The amendment is effective for financial years beginning on or after 01 January 2023. The impact of this amendment is currently being assessed.

##### [Definition of accounting estimates: Amendments to IAS 8](#)

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate financial statements that are subject to measurement uncertainty."

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Notes to the Consolidated And Separate Financial Statements** Continued

#### 2. New Standards and Interpretations (continued)

The amendments are effective for financial years beginning on or after 01 January 2023. The impact of this amendment is currently being assessed.

#### Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends

or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The amendment is effective for financial years beginning on or after 01 January 2023. The impact of this amendment is currently being assessed.

#### IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The standard is effective for financial years beginning on or after 01 January 2023. The impact of this standard is currently being assessed.

#### Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The amendments are effective for financial years beginning on or after 01 January 2022. The impact of this amendment is currently being assessed.

[Reference to the Conceptual Framework: Amendments to IFRS 3](#)

The amendments makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS

37 Provisions, Continent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to

provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The amendments are effective for financial years beginning on or after 01 January 2022. The impact of this amendment is currently being assessed.

[Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9](#)

The amendments concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The amendments are effective for financial years beginning on or after 01 January 2022. The impact of this amendment is currently being assessed.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 2. New Standards and Interpretations (continued)

##### Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendments relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The amendments are effective for financial years beginning on or after 01 January 2022. The impact of this amendment is currently being assessed.

##### Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included

in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The amendments are effective for financial years beginning on or after 01 January 2022. The impact of this amendment is currently being assessed.

##### Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41

“Taxation” has been removed from the list of cash flows excluded from the fair value determination of biological assets. The amendments are effective for financial years beginning on or after 01 January 2022. The impact of this amendment is currently being assessed.



**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 3. Property, plant and equipment

**Figures in Pula**

Consolidated	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold property	59,788,787	(1,569,630)	58,219,157	58,030,000	-	58,030,000
Furniture and fixtures	17,132,066	(11,270,109)	5,861,957	14,400,127	(10,267,639)	4,132,488
Motor vehicles6,409,075	(4,702,267)	1,706,808	6,022,172	(4,360,756)	1,661,416	
Office equipment664,544	(469,447)	195,097	664,544	(402,993)	261,551	
IT equipment11,698,763	(6,674,788)	5,023,975	9,070,379	(5,511,612)	3,558,767	
Leasehold improvements	4,939,022	(2,295,631)	2,643,391	3,211,612	(1,781,773)	1,429,839
<b>Total</b>	<b>100,632,257</b>	<b>(26,981,872)</b>	<b>73,650,385</b>	<b>91,398,834</b>	<b>(22,324,773)</b>	<b>69,074,061</b>

Separate	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold property	32,758,787	(1,030,511)	31,728,276	31,000,000	-	31,000,000
Furniture and fixtures	2,712,533	(586,903)	2,125,630	1,620,929	(380,983)	1,239,946
Motor vehicles1,195,200	(835,667)	359,533	1,195,200	(606,371)	588,829	
Office equipment664,544	(469,447)	195,097	664,544	(402,993)	261,551	
IT equipment7,254,147	(4,014,258)	3,239,889	5,769,291	(3,339,580)	2,429,711	
<b>Total</b>	<b>44,585,211</b>	<b>(6,936,786)</b>	<b>37,648,425</b>	<b>40,249,964</b>	<b>(4,729,927)</b>	<b>35,520,037</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Consolidated - 2021

Figures in Pula

	Opening carrying value	Additions	Disposals	Revaluations	Closing carrying value
Leasehold property	58,030,000	1,758,787	-	(1,569,630)	58,219,157
Furniture and fixtures	4,132,488	2,776,838	(1,523)	(1,045,846)	5,861,957
Motor vehicles	1,661,416	626,214	(7,876)	(572,946)	1,706,808
Office equipment	261,551	-	-	(66,454)	195,097
IT equipment	3,558,767	3,083,788	(45,537)	(1,573,043)	5,023,975
Leasehold improvements	1,429,839	1,727,410	-	(513,858)	2,643,391
	<b>69,074,061</b>	<b>9,973,037</b>	<b>(54,936)</b>	<b>(5,341,777)</b>	<b>73,650,385</b>

##### Reconciliation of property, plant and equipment - Consolidated - 2020

	Opening carrying value	Additions	Disposals	Transfers	Revaluations	Depreciation	Closing carrying value
Leasehold property	41,760,359	2,998,256	(13,218)	968,832	13,711,466	(1,395,695)	58,030,000
Furniture and fixtures	4,341,545	761,051	(12,465)	96,323	-	(1,053,966)	4,132,488
Motor vehicles	867,208	1,314,435	(7,023)	-	-	(513,204)	1,661,416
Office equipment	357,286	85,280	(5,051)	-	-	(175,964)	261,551
IT equipment	3,185,329	1,868,250	(23,870)	43,121	-	(1,514,063)	3,558,767
Leasehold improvements	569,600	1,393,780	-	58,120	-	(591,661)	1,429,839
Capital work in progress	1,166,396	-	-	(968,832)	(197,564)	-	-
	<b>52,247,723</b>	<b>8,421,052</b>	<b>(61,627)</b>	<b>197,564</b>	<b>13,513,902</b>	<b>(5,244,553)</b>	<b>69,074,061</b>

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - Consolidated - 2021****Figures in Pula**

	<b>Opening carrying value</b>	<b>Additions</b>	<b>Disposals</b>	<b>Revaluations</b>	<b>Closing carrying value</b>
Leasehold property	31,000,000	1,758,787	-	(1,030,511)	31,728,276
Furniture and fixtures	1,239,946	1,094,762	(1,523)	(207,555)	2,125,630
Motor vehicles	588,829	-	-	(229,296)	359,533
Office equipment	261,551	-	-	(66,454)	195,097
IT equipment	2,429,711	1,929,989	(45,537)	(1,074,274)	3,239,889
	<b>35,520,037</b>	<b>4,783,538</b>	<b>(47,060)</b>	<b>(2,608,090)</b>	<b>37,648,425</b>

**Reconciliation of property, plant and equipment - Consolidated - 2020**

	<b>Opening carrying value</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Revaluations</b>	<b>Depreciation</b>	<b>Closing carrying value</b>
Leasehold property	19,737,959	2,998,256	(13,218)	968,832	8,228,166	(919,995)	31,000,000
Furniture and fixtures	778,259	605,500	(12,465)	-	-	(131,348)	1,239,946
Motor vehicles	261,491	617,490	(7,023)	-	-	(283,129)	588,829
Office equipment	357,286	85,280	(5,051)	-	-	(175,964)	261,551
IT equipment	2,715,378	937,690	(23,870)	-	-	(1,199,487)	2,429,711
Capital work in progress	968,832	-	-	(968,832)	-	-	-
	<b>24,819,205</b>	<b>5,244,216</b>	<b>(61,627)</b>	<b>-</b>	<b>8,228,166</b>	<b>(2,709,923)</b>	<b>35,520,037</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 3. Property, plant and equipment (continued)

##### Details of properties

##### Consolidated

The group's leasehold land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. The group's leasehold land and buildings were revalued on 31 December 2020 by Cribs Proprietary Limited trading as Apex Properties (Messrs Apex Properties), independent valuers not related to the group.

The group revalues leasehold land and buildings every five years. Leasehold land and buildings comprise of the following:

- Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for 50 years commencing 4 February 1994. The leasehold land and buildings were independently valued at P31,000,000 on the open market value basis in December 2020.
- Lot 60601, Block 7, Gaborone, measuring 11707 square metres, which property is held under a deed of fixed period state grant of 50 years commencing 27 November 2008. This property was independently valued on the open market value basis in December 2020 and its fair value was determined to be P20,000,000. The property is encumbered as per note 16.
- Lot 20623 Gaborone West, Extension 34, measuring 1562 square metres, which property is held under a deed of fixed period state grant of 50 years commencing 17 February 1999. This property was independently valued on the open market value basis in December 2020 and its fair value was determined to be P6,700,000. The property is encumbered as per note 16.
- Tribal Lot 734, Maun, measuring 1337 square metres, held under a long term lease agreement for 50 years commencing

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 3. Property, plant and equipment (continued)

- 15 October 1996. This property was independently valued on the open market value basis in December 2020 and its fair value was determined to be P330,000.

If the cost model had been used, the carrying amounts of the revalued land and buildings, would be P38,697,110 (2020: P38,468,180) for the group.

#### Separate

The leasehold land and buildings comprise Lot 50638 Fairgrounds, Gaborone, measuring 4,386 square meters, which property is held under a Deed of Fixed Period State Grant for 50 years commencing 4 February 1994. The leasehold land and buildings were independently valued at P31,000,000 on the open market value basis in December 2020.

If the cost model had been used, the carrying amounts of the revalued land and buildings, would be P23,155,242 (2020:P21,923,338) for the Society. Registers with details of land and buildings are available for inspection by Members or their duly

authorised representatives at the registered office of the Society and its respective subsidiaries.

#### Group and Separate

- The open market value basis is defined as the estimated amount for which the property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.
- The estimated useful lives, residual values and depreciation methods are reviewed by management at each reporting date, with the effect of any changes in estimates accounted for on a prospective basis. The review did not highlight any requirement for an adjustment to the residual values and useful lives used in the current or prior years.
- The revaluation surplus, net of deferred capital gains tax was credited to the revaluation reserve in other comprehensive income.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 4. Right of use assets and lease liabilities

##### Consolidated

The group held fourteen (14) leases at 1 January 2021 (14 in 2020) in its capacity as the lessee. Five (5) new leases were entered into in the 2021 financial year (3 in 2020). Two (2) leases (2 in 2020) expired of which one was renewed during the current financial year. The group terminated one lease in the 2021 financial

year. As at 31 December 2021, the lease contracts comprise of fifteen (15) property leases (11 in 2020) and two (2) motor vehicle leases (2 in 2020).

A weighted average incremental borrowing rate of 5.25% (2020: 6.5%) and 8.5% (2021: 8.5%) for the Society and its subsidiaries, respectively, was applied in the calculation of the discounted present value of the lease liabilities on 31 December 2021.

##### Right-of-use of assets - Consolidated

Figures in Pula	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	15,670,681	(8,486,691)	8,103,646	11,445,779	(4,691,960)	6,753,819
Motor vehicles	249,627	(128,804)	120,823	249,627	(71,664)	177,963
	<b>15,920,308</b>	<b>(8,615,495)</b>	<b>8,224,469</b>	<b>11,695,406</b>	<b>(4,763,624)</b>	<b>6,931,782</b>

##### Separate

The Society entered into two (2) new lease contracts at 1 January 2021 in its capacity as the lessee. One of the leases expired at the financial reporting date.

An incremental borrowing rate of 5.25% (2020:6.5%) was applied in the calculation of the discounted present value of the lease liabilities on 31 December 2021.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 4. Right of use assets (continued)

**Right-of-use assets - Separate**

Figures in Pula	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	1,101,843	(710,440)	391,403	1,296,105	(1,296,105)	-

**Right-of-use of assets reconciliation - Consolidated**

2021 - In Pula	Buildings	Motor vehicles	Total
Balance at 1 January 2021	6,753,819	177,963	6,931,782
Additional leases	4,423,064	-	4,423,064
Terminated leases	(12,676)	-	(12,676)
Modifications	(333,386)	-	(333,386)
Depreciation	(2,727,174)	(57,141)	(2,784,315)
<b>Balance at 31 December 2021</b>	<b>8,103,647</b>	<b>120,822</b>	<b>8,224,469</b>
2020 - In Pula	Buildings	Motor vehicles	Total
Balance at 1 January 2020	9,627,661	21,504	9,649,165
Additional leases	632,458	198,431	830,889
Terminated leases	(809,183)	-	(809,183)
Depreciation	(2,697,117)	(41,972)	(2,739,089)
<b>Balance at 31 December 2020</b>	<b>6,753,819</b>	<b>177,963</b>	<b>6,931,782</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 4. Right of use assets and lease liabilities (continued)

Right of use of assets reconciliation - Separate

##### 2021 - In Pula

Balance at 01 January 2021

Additional lease

Depreciation

**Balance at 31 December 2021**

	<b>Buildings</b>	<b>Total</b>
Balance at 01 January 2021	-	-
Additional lease	1,101,843	1,101,843
Depreciation	(710,440)	(710,440)
<b>Balance at 31 December 2021</b>	<b>391,403</b>	<b>391,403</b>

##### 2020 - In Pula

Balance at 01 January 2020

Additional leases

Depreciation

**Balance at 31 December 2020**

	<b>Buildings</b>	<b>Total</b>
Balance at 01 January 2020	612,555	612,555
Additional leases	38,295	38,295
Depreciation	(650,850)	(650,850)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>-</b>

##### Lease liabilities

Minimum lease payments due:

##### Figures in Pula

Within one year

Two to five years

More than five years

Less: future finance charges

**Present value of minimum lease payments**

##### Present value of minimum lease payments due

within one year

in second to fifth year inclusive

later than five years

	<b>Consolidated</b>		<b>Separate</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Within one year	2,682,767	2,687,004	103,585	-
Two to five years	6,924,393	7,105,208	359,744	-
More than five years	2,923,085	-	-	-
	12,530,245	9,792,212	463,329	-
Less: future finance charges	(2,750,939)	(1,526,772)	(46,450)	-
<b>Present value of minimum lease payments</b>	<b>9,779,306</b>	<b>8,265,440</b>	<b>416,879</b>	<b>-</b>
<b>Present value of minimum lease payments due</b>				
within one year	1,952,023	2,082,345	84,142	-
in second to fifth year inclusive	5,425,441	6,183,095	332,737	-
later than five years	2,401,842	-	-	-
	<b>9,779,306</b>	<b>8,265,440</b>	<b>416,879</b>	<b>-</b>



## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 4. Right of use assets and lease liabilities (continued)

Figures in Pula	Consolidated		Separate	
	2021	2020	2021	2020
Non-current liabilities	7,743,142	6,183,095	332,737	-
Current liabilities	2,036,164	2,082,345	84,142	-
	<b>9,779,306</b>	<b>8,265,440</b>	<b>416,879</b>	<b>-</b>
<b>Other disclosures</b>				
Payment of interest on lease liabilities	760,522	804,272	38,426	18,794
Principal lease payments	2,561,712	2,361,201	684,964	680,894
	<b>3,322,234</b>	<b>3,165,473</b>	<b>723,390</b>	<b>699,688</b>

#### 5. Intangible assets

Consolidated	2021			2020		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Computer software	5,481,803	(2,741,894)	2,739,909	5,209,594	(1,891,518)	3,318,076
Separate	2021			2020		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Computer software	4,005,394	(1,602,158)	2,403,236	4,005,394	(801,079)	3,204,315

#### Reconciliation of intangible assets - Consolidated - 2021

	Opening Carrying Value	Additions	Amortisation	Closing carrying value
Computer software	3,318,076	272,209	(850,376)	2,739,909

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 5. Intangible assets Continued

##### Reconciliation of intangible assets - Consolidated - 2020

	Opening carrying value	Amortisation	Closing carrying value
Computer software	4,165,546	(847,470)	3,318,076

##### Reconciliation of intangible assets - Separate - 2021

	Opening carrying value	Amortisation	Closing carrying value
Computer software	3,204,315	(801,079)	2,403,236

##### Reconciliation of intangible assets - Separate - 2020

	Opening carrying value	Amortisation	Closing carrying value
Computer software	4,005,394	(801,079)	3,204,315

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 6. Investments in subsidiaries

The following table lists the entities which are controlled directly by the Society, and the carrying amounts of the investments in the Society's company financial statements.

**Separate**

<b>Name of company</b>	<b>Held by</b>	<b>% holding 2021</b>	<b>% holding 2020</b>	<b>Carrying amount 2021 P</b>	<b>Carrying amount 2020 P</b>
Bomaid Limited	Botswana Medical Aid Society	100.00 %	- %	-	-
Southview Proprietary Limited	Botswana Medical Aid Society	100.00 %	100.00 %	50,551,969	50,551,969
				50,551,969	50,551,969
Impairment of investment in subsidiaries				(36,069,892)	(36,069,892)
				14,482,077	14,482,077
<b>Reconciliation of investments in subsidiaries</b>					
Opening and closing balance				14,482,077	14,482,077

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 6. Investments in subsidiaries (continued)

##### Sub-subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the Group. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2021	2020
MRI Botswana Proprietary Limited	Botswana	6 %	6 %

##### Summarised statement of financial position

	MRI Botswana Limited	
	2021 P	2020 P
<b>Assets</b>		
Non-current assets	44,683,762	40,908,960
Current assets	16,364,229	18,501,033
<b>Total assets</b>	61,047,991	59,409,993
<b>Liabilities</b>		
Non-current liabilities	14,276,706	12,550,169
Current liabilities	20,833,577	21,274,173
<b>Total liabilities</b>	35,110,283	33,824,342
<b>Total net assets</b>	25,937,708	25,585,651
<b>Carrying amount of non-controlling interest</b>	1,556,261	1,535,137

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued6. **Investments in subsidiaries** (continued)**Summarised statements of profit or loss and other comprehensive income****Revenue**

Other income and expenses

**Profit/(loss) before tax**

Tax expense

**Profit/(loss) after tax**

Other comprehensive income for the year

**Total comprehensive income for the year****Profit/(loss) allocated to non-controlling interest**

<b>MRI Botswana Limited</b>	
<b>2021</b>	<b>2020</b>
<b>P</b>	<b>P</b>
125,703,622	106,696,077
(125,300,376)	(107,974,477)
403,246	(1,278,400)
(148,454)	305,053
254,792	(973,347)
97,265	4,936,852
352,057	3,963,505
15,288	(58,402)

**Summarised statement of cash flows**

Cash flows from operating activities

Cash flows to investing activities

Cash flows to financing activities

Net decrease in cash and cash equivalents

<b>MRI Botswana Limited</b>	
<b>2021</b>	<b>2020</b>
<b>P</b>	<b>P</b>
3,438,966	5,973,026
(4,290,907)	(2,876,293)
(3,951,994)	(5,394,970)
(4,803,935)	(2,298,237)

**Dormant subsidiary that are 100% owned**

The Society registered a fully owned subsidiary (Bomaid Limited) during the year. The subsidiary is registered and domiciled in Botswana and is dormant.

**Sub-subsidiaries that are 100% owned**

Refer to note 28 for information on Alpha Access Proprietary Limited, a company with discontinued operations and 100% owned by Southview Proprietary Limited. Alpha Access Proprietary Limited is incorporated in Botswana in accordance with the Botswana Companies Act.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 7. Equity instruments at fair value through other comprehensive income

Investments held by the group which are measured at fair value, are as follows:

Figures in Pula	Consolidated		Separate	
	2021	2020	2021	2020
Equity investments at fair value through other comprehensive income:	112,120,878	99,311,548	112,120,878	99,311,548

Equity instruments, which comprise directly held equity investments, investments in segregated and unitised equity or balanced funds have been designated, at initial recognition, as at fair value through other comprehensive income. The reason for this designation as opposed to fair value through profit or loss, is to avoid the effect of volatilities in mixed pools of financial instruments from impacting profit or loss. The specific investments which are measured at fair value through other comprehensive income are as follows:

#### Investments held at reporting date - Consolidated and Separate

##### Figures in Pula

	2021	2020
	Fair value	Fair value
Held Directly	152,658	152,658
BIFM Asset Management	68,029,418	68,212,926
Ninety One Fund Managers Botswana	43,938,802	30,945,964
<b>Total</b>	<b>112,120,878</b>	<b>99,311,548</b>

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 7. Equity instruments at fair value through other comprehensive income (continued)

**Summary of investments held by Fund Manager - Consolidated and Separate 2021**

	<b>Held Directly</b>	<b>BIFM Asset Management</b>	<b>Ninety One Fund Managers Botswana</b>	<b>Total</b>
	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
Onshore equity investments	152,658	34,944,887	12,204,541	47,302,086
Offshore equity investments	-	33,084,531	31,734,261	64,818,792
Total equity investments as disclosed per note above	152,658	68,029,418	43,938,802	112,120,878
Cash and money market investments (Note 12)	-	41,324,267	29,558,620	70,882,887
Onshore debt instruments at fair value through other comprehensive income (Note 8)	-	55,289,482	34,582,989	89,872,471
Offshore debt instruments at fair value through other comprehensive income (Note 8)	-	18,720,010	14,762,105	33,482,115
<b>Total investments by fund manager</b>	<b>152,658</b>	<b>183,363,177</b>	<b>122,842,516</b>	<b>306,358,351</b>

**Summary of investments held by Fund Manager - Consolidated and Separate 2020**

	<b>Held Directly</b>	<b>BIFM Asset Management</b>	<b>Ninety One Fund Managers Botswana</b>	<b>Total</b>
	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
Onshore equity investments	152,658	35,397,630	12,448,270	47,998,558
Offshore equity investments	-	32,815,296	18,497,694	51,312,990
Total equity investments as disclosed per note above	152,658	68,212,926	30,945,964	99,311,548
Cash and money market investments (Note 12)	-	39,250,234	25,356,224	64,606,458
Onshore debt instruments at fair value through other comprehensive income (Note 8)	-	46,533,581	45,602,949	92,136,530
Offshore debt instruments at fair value through other comprehensive income (Note 8)	-	18,137,658	11,348,781	29,486,439
<b>Total investments by fund manager</b>	<b>152,658</b>	<b>172,134,399</b>	<b>113,253,918</b>	<b>285,540,975</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 8. Debt instruments at fair value through other comprehensive income

Onshore bonds	89,872,471	92,136,530	89,872,471	92,136,530
Offshore bonds	33,482,115	29,486,439	33,482,115	29,486,439
	<b>123,354,586</b>	<b>121,622,969</b>	<b>123,354,586</b>	<b>121,622,969</b>

#### 9. Deferred tax (liability)/asset

##### Deferred tax (liability)/asset

Deferred tax (liability)/asset

Property plant and equipment	(545,132)	(257,824)	-	-
Assessed tax losses	649,742	677,289	-	-
Leases	2,181,454	(1,578,082)	-	-
Right of use of assets	(1,835,928)	1,875,973	-	-
Unrealised exchange differences	2,453	(3,896)	-	-
General provision for bad debts	90,906	48,884	-	-
Revaluation of property plant and equipment	(597,004)	(694,269)	-	-
<b>Total deferred tax (liability)/asset</b>	<b>(53,509)</b>	<b>68,075</b>	<b>-</b>	<b>-</b>

The group has recognised a deferred tax asset in respect of the self-assessed income tax losses only to the extent that management believes the group will generate sufficient future taxable income to utilise the tax loss before expiry. The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax (liability)/asset	(53,509)	68,075	-	-
<b>Reconciliation of deferred tax asset</b>				
At beginning of year	68,075	309,470	-	-
Movement per statement of comprehensive income	(218,849)	305,053	-	-
Deferred tax to other comprehensive income	97,265	(546,448)	-	-
<b>Balance at end of the year</b>	<b>(53,509)</b>	<b>68,075</b>	<b>-</b>	<b>-</b>



## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 10. Inventories

Dispensary drugs, medicine and consumables	1,163,484	734,408	-	-
Merchandise	6,292,594	5,256,922	-	-
	<b>7,456,078</b>	<b>5,991,330</b>	<b>-</b>	<b>-</b>

The cost of inventories recognised in the consolidated financial statements as an expense during the year amounted to P47,525,734 (2020: P46 917 969). No inventories are expected to be recovered after more than twelve months as the Group does not hold excess inventory.

#### 11. Trade and other receivables

##### Financial instruments:

Trade receivables	11,309,263	13,015,072	6,787,029	9,640,093
Loss allowance	(2,340,924)	(3,677,628)	(970,477)	(3,118,569)
Trade receivables at amortised cost	8,968,339	9,337,444	5,816,552	6,521,524
Wellness receivables	95,475	27,970	95,475	27,970
Amounts due from related parties	-	-	452,124	23,625
Other receivables	10,008,692	3,556,688	8,717,213	1,779,660

##### Non-financial instruments:

VAT	-	21,633	-	-
Prepayments	594,799	979,538	324,014	214,453
<b>Total trade and other receivables</b>	<b>19,667,305</b>	<b>13,923,273</b>	<b>15,405,378</b>	<b>8,567,232</b>

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	19,072,506	12,922,102	15,081,364	8,352,779
Non-financial instruments	594,799	1,001,171	324,014	214,453
	<b>19,667,305</b>	<b>13,923,273</b>	<b>15,405,378</b>	<b>8,567,232</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 11. Trade and other receivables (continued)

##### Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers. Customer credit limits are in place and are reviewed and approved by management. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

The average credit period on trade receivables is 30 days (2020: 30 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

##### Consolidated

	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Expected credit loss rate:</b>				
Less than 30 days past due: 5% (2020: 6.11%)	7,309,774	(365,489)	6,933,443	(423,633)
31 - 60 days past due: 7% (2020: 7.39%)	1,903,360	(133,236)	2,578,119	(190,523)
61 - 90 days past due: 54.489% (2020: 93.16%)	371,668	(202,517)	1,606,758	(1,497,338)
91 - 120 days past due: 80.721% (2020: 94.79%)	439,749	(354,970)	1,377,272	(1,305,516)
Over 120 days past due: 100% (2020: 51.59%)	1,284,712	(1,284,712)	519,476	(260,618)
<b>Total</b>	<b>11,309,263</b>	<b>(2,340,924)</b>	<b>13,015,068</b>	<b>(3,677)</b>

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 11. Trade and other receivables (continued)

**Separate**

	2021	2021	2020	2020
	<b>Estimated gross carrying amount at default</b>	<b>Loss allowance (Lifetime expected credit loss)</b>	<b>Estimated gross carrying amount at default</b>	<b>Loss allowance (Lifetime expected credit loss)</b>
<b>Expected credit loss rate:</b>				
Less than 30 days past due: 5% (2020: 5%)	5,205,517	(260,276)	5,083,082	(254,154)
31 - 60 days past due: 7% (2020: 7%)	936,894	(65,583)	1,819,996	(127,400)
61 - 90 days past due: 100% (2020: 100%)	160,230	(160,230)	1,483,422	(1,483,422)
91 - 120 days past due: 100% (2020: 100%)	293,577	(293,577)	1,253,593	(1,253,593)
Over 120 days past due: 100% (2020: 100%)	190,811	(190,811)	-	-
<b>Total</b>	<b>6,787,029</b>	<b>(970,477)</b>	<b>9,640,093</b>	<b>(3,118,569)</b>

**Reconciliation of loss allowances**

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

<b>Opening balance in accordance with IFRS 9</b>	<b>(3,677,628)</b>	<b>(2,445,717)</b>	<b>(3,118,569)</b>	<b>(733,536)</b>
Provision raised	(1,999,502)	(3,252,694)	(970,447)	(3,118,569)
Amounts written off	1,243,571	1,218,040	1,243,571	-
Release to income statement	2,092,635	802,743	1,874,968	733,536
<b>Closing balance</b>	<b>(2,340,924)</b>	<b>(3,677,628)</b>	<b>(970,477)</b>	<b>(3,118,569)</b>
<b>Impairment expense comprises of:</b>				
Provision for expected credit losses	93,133	(2,449,951)	904,521	2,385,033
Receipts recovered recognised in profit or loss	70,571	10,436	-	-
	<b>163,704</b>	<b>(2,439,515)</b>	<b>904,521</b>	<b>2,385,033</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30,070	15,069	3,585	2,298
Bank balances	50,433,605	122,691,989	49,226,833	116,669,878
Short-term deposits	77,245,441	81,404,190	77,245,441	81,404,190
Other cash and cash equivalents	70,882,887	64,606,458	70,882,887	64,606,458
	<b>198,592,003</b>	<b>268,717,706</b>	<b>197,358,746</b>	<b>262,682,824</b>
Cash and cash equivalents held by the entity that are not available for use by the group.	50,000	50,000	50,000	50,000
Gratuity funds invested on behalf of Society employees	4,020,185	-	4,020,185	-

Cash and bank balances comprise cash and deposits with financial institutions which are payable on demand.

The Society has an overdraft facility of P9.1 million charged at an interest rate of the prevailing prime rate plus 3%. The facility has not yet been drawn-down as the reporting date. The following terms and conditions are applicable to this overdraft facility:

**Facility amount:** P9,100,000

**Interest rate:** Prime plus 3% (5.35% as at the reporting date)

**Expiry date:** 15 March 2022

**Collateral:**

- 1st continuing covering mortgage bond for BWP9,210,000 over Lot 60601 Gaborone
- 2nd continuing covering mortgage bond for BWP5,800,000 over Lot 60601 Gaborone
- Registered cession of fire policy - BWP27,500,000
- 1st continuing coverage mortgage bond for BWP4,300,000 over Lot 20623 Gaborone
- registered cession of fire policy-BWP6,550,000

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 13. Low claim reserve

Low claim reserve	461,910	461,910	461,910	461,910
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**14. Financial assets revaluation reserve**

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed off or determined to be impaired.

Realised revaluation gains from debt instruments at fair value through other comprehensive income are reclassified to profit or loss and realised revaluation gains on equity instruments at fair value through other comprehensive income are transferred directly to equity.

Opening balance	176,086,250	171,137,035	176,086,250	171,137,035
Unrealised revaluation gain on financial assets that will not be reclassified to profit or loss	15,432,642	2,627,815	15,432,642	2,627,815
Unrealised revaluation loss on financial assets that may be reclassified to profit or loss	(4,075,520)	2,321,400	(4,075,520)	2,321,400
Realised revaluation loss on financial assets reclassified to profit or loss	1,898,236	-	1,898,236	-
Realised revaluation gain on financial assets transferred directly to retained earnings	(6,480,769)	-	(6,480,769)	-
	<b>182,860,839</b>	<b>176,086,250</b>	<b>182,860,839</b>	<b>176,086,250</b>

## 15. Property revaluation reserve

The property revaluation reserve arises on the revaluation of leasehold land and buildings. When revalued leasehold land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the property revaluation reserve will not be reclassified subsequently to profit or loss.

Opening balance	34,000,239	21,131,432	28,136,484	19,908,318
Revaluation of property	-	13,711,466	-	8,228,166
Income tax relating to the revaluation of property	97,265	(546,448)	-	-
Non-controlling interest	(5,836)	(296,211)	-	-
	<b>34,091,668</b>	<b>34,000,239</b>	<b>28,136,484</b>	<b>28,136,484</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 16. Borrowings

##### Held at amortised cost

Term loan (i)	6,230,564	6,948,525	-	-
Term loan (ii)	1,094,470	-	-	-
	<b>7,325,034</b>	<b>6,948,525</b>	<b>-</b>	<b>-</b>
<b>Split between non-current and current portions</b>				
Non-current liabilities	6,395,914	6,230,681	-	-
Current liabilities	929,120	717,844	-	-
	<b>7,325,034</b>	<b>6,948,525</b>	<b>-</b>	<b>-</b>

(i) The group developed a fit-for-purpose office building on Lot 60601, Block 7, at a cost of P16.5 million. P10.5 million of the total development cost was financed through financial institutions with the remaining balance financed through cash flows from operating activities.

Interest is charged at the Botswana prime lending rate (currently 5.25% per annum) (2020: 5.75% per annum). Bank Gaborone Limited ("the bank") has the following securities against the loans:

- A first Covering Mortgage Bond for P9.21 million over Plot 60601, Block 7, Gaborone.
- A second Covering Mortgage Bond for P5.8 million over Plot 60601, Block 7, Gaborone.
- Registered Cession of Fire Policy of P27.5 million for the fit-for-purpose office building.
- A First Covering Mortgage Bond for P4.3 million over Plot 20623 in Block 3
- Registered Cession of Fire Policy for P6.55 million.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued**16. Borrowings** Continued

(ii) The group obtained a loan facility of P1,094,470 to pay for the lease developments at one of its call centre. Interest is charged at a rate of 8.5%. The loan is repayable over a 54 month period commencing in March 2022.

	<b>Consolidated</b>		<b>Separate</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Maturity profile of borrowings				
Amounts due within one year	1,310,075	1,065,460	-	-
Amounts due within two to five years	5,338,148	4,261,840	-	-
Amounts due after five years	2,131,471	3,196,934	-	-
	8,779,694	8,524,234	-	-
Less future finance charges	(1,454,660)	(1,575,709)	-	-
	<b>7,325,034</b>	<b>6,948,525</b>	<b>-</b>	<b>-</b>
<b>Present value of borrowings</b>				
Amounts due within one year	929,120	717,844	-	-
Amounts due within two to five years	4,376,732	4,210,810	-	-
Amounts due within after five years	2,019,182	2,019,871	-	-
	<b>7,325,034</b>	<b>6,948,525</b>	<b>-</b>	<b>-</b>
<b>17. Trade and other payables</b>				
<b>Financial instruments:</b>				
Trade payables	10,948,717	9,656,610	-	-
Trade payables - related parties	-	-	2,534,005	2,451,070
Refunds due to Members	14,665,338	-	14,665,338	-
Other accrued expenses	10,069,656	8,171,221	8,855,464	5,780,993
Deposits received	47,725	32,950	-	-
Other payables	449,566	-	449,566	-

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 17. Trade and other payables Continued

##### Non-financial instruments:

Payroll accruals	18,504,805	17,764,053	14,300,875	13,061,572
Refund liability	7,190	43,758	-	-
VAT	96,384	-	-	-
	<b>54,789,381</b>	<b>35,668,592</b>	<b>40,805,248</b>	<b>21,293,635</b>

##### Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	36,181,002	17,860,781	26,504,373	8,232,063
Non-financial instruments	18,608,379	17,807,811	14,300,875	13,061,572
	<b>54,789,381</b>	<b>35,668,592</b>	<b>40,805,248</b>	<b>21,293,635</b>

#### 18. Subscriptions received in advance

Subscriptions received in advance - medical aid	7,695,962	9,109,338	7,025,738	8,400,917
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These are amounts received from Members during the current year which relate to the following financial year.

#### 19. Outstanding claims

This balance represents the estimated value of claims which were due and payable as at year end. The obligation approximates the total value of claims which were paid subsequent to the reporting date within the four month period in accordance with the Society's rules.

The Society has adopted the chain ladder methodology by applying it to monthly claim development factors. By adopting monthly development factors, the chain ladder method automatically adjusts for the timing of the last claims run relative to the accounting period cut-off. This adjustment must be performed annually for the chain ladder method using monthly development factors. The claim development factors are based on the Bomaid claim reporting patterns over the latest two years.



**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 19. Outstanding claims Continued

The adjusted chain ladder method employs a Bornhuetter-Ferguson approach to address the inability of the chain ladder to accurately predict ultimate claims incurred estimates for the latest reporting year(s). Again, a similar shortcoming is evident with using the chain ladder method for medical schemes using monthly development factors. The Society has adopted the method to make it applicable to using monthly development factors. The ultimate claims incurred for the latest month are estimated using an independent forecast for the claims incurred based on the prior month's claims.

**Reconciliation of outstanding claims provision**

Opening balance	56,186,769	55,331,476	56,478,425	57,762,697
Prior year under/(over) provision	10,674,547	(11,043,932)	10,674,547	(11,043,932)
Current year increase in provision	82,143,531	56,186,769	84,402,113	56,478,425
Payment in respect of prior year	(66,861,316)	(44,287,544)	(67,152,972)	(46,718,765)
	<b>82,143,531</b>	<b>56,186,769</b>	<b>84,402,113</b>	<b>56,478,425</b>

## 20. Revenue

**Revenue from contracts with customers is disaggregated as follows:**

Sale of goods at a point in time - pharmacy drugs	13,956,109	12,850,967	-	-
Rendering of services over time - fees earned	38,578,874	24,720,331	-	-
Subscriptions	768,668,914	737,155,448	771,207,099	739,721,773
Wellness program	702,625	805,930	702,625	805,930
	<b>821,906,522</b>	<b>775,532,676</b>	<b>771,909,724</b>	<b>740,527,703</b>

## 21. Benefits paid

Dental	54,644,502	34,148,919	54,644,502	34,148,919
Hospital	144,147,852	201,326,008	144,147,852	201,326,008
Consultation and drugs	248,419,365	160,837,971	308,048,757	200,905,339
Maternity	15,364,777	13,697,190	15,364,777	13,697,190
Optical and appliances	61,676,028	26,708,641	61,676,028	26,708,641

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 21. Benefits paid Continued

Funeral	4,489,875	4,708,272	4,489,895	4,708,272
Emergency	-	-	11,938,233	11,072,115
Chronic ailments	63,819,558	36,340,744	63,819,558	36,340,744
Special benefit	20,414,791	5,087,377	20,414,791	22,991,627
Severe illness benefit cover	1,017,953	938,429	1,017,953	938,429
Wellness program costs	641,871	798,846	702,330	869,713
COVID-19 claims intervention	99,673,145	-	100,359,548	-
	<b>714,309,717</b>	<b>484,592,397</b>	<b>786,624,224</b>	<b>553,706,997</b>

#### 22. Operating (loss)/surplus

Operating (loss)/surplus for the year is stated after charging (crediting) the following, amongst others:

Audit fees - current year	1,283,900	1,321,900	790,300	861,300
Audit fees - prior year	250,000	171,000	200,000	165,000
Staff pension contributions- defined pension contribution plan	5,144,175	5,138,248	3,275,233	3,519,605
Internal audit fees	88,231	983,256	88,231	983,256
Impairment of financial assets	(163,704)	2,439,515	(904,521)	2,385,033
(Profit)/loss on disposal of property, plant and equipment	8,417	(586,523)	(38,086)	(212,208)
Foreign exchange gains/(loss)	5,843,154	(2,913,879)	5,845,174	(2,796,945)
Depreciation of property, plant and equipment	5,341,777	5,290,944	2,608,090	2,709,923
Depreciation of right of use asset	2,784,315	2,739,089	710,440	650,850
Amortisation of intangible assets	850,376	801,079	801,079	801,079
Key management remuneration	17,243,637	18,706,502	8,184,316	9,262,371
Trustees' fees	2,254,415	1,869,450	2,254,415	1,444,800
Staff costs	97,994,573	91,427,366	46,670,862	50,148,834
Loss/(profit) on sale of financial assets - realised loss	1,898,236	(2,132,976)	1,898,236	(2,132,976)
on debt instruments at fair value through other comprehensive income reclassified to profit or loss				
Profit on sale of financial assets - money market investments	(786,037)	-	(786,037)	-

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 23. Finance income

Short term deposits	10,166,730	7,623,765	10,144,778	7,590,846
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#### 24. Finance costs

Lease liabilities	760,523	804,272	38,426	18,794
Interest on borrowings	397,499	491,797	-	-
Other finance costs	63,889	-	63,889	-
<b>Total finance costs</b>	<b>1,221,911</b>	<b>1,296,069</b>	<b>102,315</b>	<b>18,794</b>

#### 25. Dividend and other income

Other rental income	542,050	560,446	141,750	141,750
Profit share - severe illness	35,687	-	360,000	360,000
Dividends	4,639,399	2,364,261	4,639,399	2,364,261
Sundry income	679,639	389,664	651,909	131,509
<b>5,896,775</b>	<b>3,314,371</b>	<b>5,793,058</b>	<b>2,997,520</b>	

#### 26. Taxation

##### Major components of the tax (income) expense

##### Current

Current taxation	(70,395)	-	-	-
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##### Deferred

Deferred tax	96,601	(305,053)	-	-
Arising from previously unrecognised tax loss	122,248	-	-	-
<b>218,849</b>	<b>(305,053)</b>	<b>-</b>	<b>-</b>	
<b>148,454</b>	<b>(305,053)</b>	<b>-</b>	<b>-</b>	

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 26. Taxation Continued

##### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting (loss)/profit	(101,890,161)	98,889,383	(101,958,632)	101,716,862
Tax at the applicable tax rate of 22% (2020: 22%)	(22,415,835)	21,755,664	(22,430,899)	22,377,710
<b>Tax effect of adjustments on taxable income</b>				
Disallowed expenditure	7,887	44,158	-	-
Unutilised tax losses	51,853	24,047	-	-
Bomaid exempt income*	22,504,549	(22,105,117)	22,430,899	(22,377,710)
Prior year deferred tax over provision	-	(23,805)	-	-
	<b>148,454</b>	<b>(305,053)</b>	<b>-</b>	<b>-</b>

\*The Society is exempt from taxation in terms of the second schedule of the Botswana Income Tax Act (Chapter 52:01).

#### 27. Tax paid

Balance at beginning of the year	631,048	567,917	-	-
Current tax for the year recognised in profit or loss	70,395	-	-	-
Balance at end of the year	(705,648)	(631,048)	-	-
	<b>(4,205)</b>	<b>(63,131)</b>	<b>-</b>	<b>-</b>

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 28. Discontinued operations

Alpha Access Proprietary Limited

Due to the significant losses the company was making since inception, the shareholder assessed a number of options to curtail further losses. On 9 September 2016, the shareholder, through a resolution of the directors of the company decided to close down Alpha Access Proprietary Limited and sell its assets. On 11 April 2017, the shareholder, Southview Proprietary Limited, decided to cease operations of Alpha Access Proprietary Limited. The assets have since been fully disposed and the directors have commenced the process to deregister the company. An application to deregister the company from all types of taxes was submitted to and acknowledged by Botswana Unified Revenue Services (BURS). The response for the approval to deregister is still pending from BURS. On the basis of the foregoing, Alpha Access Proprietary Limited financial statements are not prepared on a going concern basis. All assets and liabilities are presented as current and valued at amounts not exceeding those expected to be realised.

**Profit and loss**

Other income	787	708	-	-
Bank charges	(1,461)	(2,296)	-	-
Net loss before tax	(674)	(1,588)	-	-
Tax	-	-	-	-
	<b>(674)</b>	<b>(1,588)</b>	<b>-</b>	<b>-</b>

**Assets and liabilities**

Assets of disposal groups				
Trade and other receivables	154,316	154,316	-	-
Cash and cash equivalents	55,675	56,349	-	-
	<b>209,991</b>	<b>210,665</b>	<b>-</b>	<b>-</b>

**Equity**

Stated capital	22,813,503	22,813,503	-	-
Accumulated loss	(22,603,512)	(22,602,838)	-	-
	<b>209,991</b>	<b>210,665</b>	<b>-</b>	<b>-</b>

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Notes to the Consolidated And Separate Financial Statements** Continued

#### 29. Commitments

##### **Authorised capital expenditure**

The Group approved total capital expenditure of P41,546,325 (2020: P9,100,000) to carryout projects commencing in 2021. These capital commitments are yet to be contracted.

The commitments will be funded through internally generated cash resources supplemented by a Bank Gaborone Limited overdraft facility of P9.1 million to one of the subsidiary companies in the group. Refer to note 12 for details and terms of the overdraft facility.

#### 30. Contingencies

- The group has two separate legal matters before the Gaborone Industrial Court pertaining two former employees who allege unlawful termination of their contracts. The group's lawyers have advised that the Group has strong prospects of defending these matters. The compensation for these claims cannot be estimated reliably and legal costs are so far estimated to be P75,000 for one of the cases. Legal costs for the other matter cannot be estimated reliably.
- The group has a legal matter pertaining a former employee claiming P468,000 for alleged unfair dismissal. The matter is before the courts pending judgement. The lawyers have advised that the group has minimal prospects of defending this matter.
- The group received a letter of demand for compensation from a customer who alleges he was dispensed wrongful medication which caused him severe pain, suffering and trauma. The potential loss from this matter as per letter of demand is P1.5 million plus any legal costs which cannot be estimated reliably. The group is not aware if the complainant has instituted legal action against the company. The group's lawyers have advised that the letter of demand is insufficient to evaluate the prospects of success of the claim. The subsidiary company faced with this potential claim has a professional indemnity cover of up to P3 million to mitigate against an adverse outcome to the company in the event the complainant institutes legal action.

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 31. Related parties

##### Relationships

Subsidiary of Botswana Medical Aid Society  
 Subsidiary of Southview Proprietary Limited  
 Subsidiary of Southview Proprietary Limited  
 Subsidiary of Botswana Medical Aid Society

Southview Proprietary Limited  
 MRI Botswana Limited  
 Alpha Access Proprietary Limited  
 Bomaid Limited

##### Related party balances

##### Year end balances arising from rendering of services included in outstanding claims

MRI Botswana Limited - outstanding claims payable	(2,258,582)	(519,923)
Other amounts due to related parties - non claims		
MRI Botswana Limited - payable	(212,925)	(97,602)
Allowance for expected credit loss	31,628	-
	(181,297)	(97,602)
Alpha Access Proprietary Limited - payable	(154,316)	(154,315)
Southview Proprietary Limited - payable	(2,166,764)	(2,614,189)
	<b>(2,502,377)</b>	<b>(2,866,106)</b>

##### Amounts from related parties - claims related

MRI Botswana Limited	-	228,266
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##### Amounts receivable from related parties - non claims

MRI Botswana Limited - receivable	452,124	428,483
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Amounts due to and from related parties are interest free, unsecured and without any repayment terms

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 31. Related parties Continued

Figures in Pula	Consolidated		Separate	
	2021	2020	2021	2020
Related party transactions				
<b>Compensation to Trustees and other key management including directors' fees</b>				
Directors'/Trustees' fees	2,121,382	1,869,450	1,852,882	1,444,800
Key management remuneration	17,243,637	18,706,502	8,184,316	9,262,371
	<b>19,365,019</b>	<b>20,575,952</b>	<b>10,037,198</b>	<b>10,707,171</b>
<b>Remuneration of key management personnel</b>				
Short-term employment benefits	14,115,176	15,715,695	6,505,629	7,043,562
Post employment benefits	3,128,461	2,990,807	1,678,687	2,218,809
	<b>17,243,637</b>	<b>18,706,502</b>	<b>8,184,316</b>	<b>9,262,371</b>
<b>Expenditure transactions with MRI Botswana Limited for services rendered</b>				
Revenue from MRI Botswana Limited			59,629,393	57,971,618
Medical rescue services			11,938,253	11,072,115
Call center charges			843,598	-
Rental expense			95,939	110,452
Wellness program			60,459	70,867
Staff training			10,534	10,179
Standby			2,500	-
COVID-19 testing and Medical examinations			683,902	-
Contributions received			327,688	-
			<b>73,592,266</b>	<b>69,235,231</b>



**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued31. **Related parties** Continued

Figures in Pula	Consolidated		Separate	
	2021	2020	2021	2020
<b>Revenue transactions with MRI Botswana Limited for services rendered</b>				
Subscriptions for medical aid	-	-	(2,538,185)	(2,566,325)
Shared service costs	-	-	(360,000)	(360,000)
Rental income	-	-	(141,750)	(141,750)

32. **Financial instruments and risk management****Categories of financial instruments****Categories of financial assets - In Pula**

Consolidated - 2021	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair Value
Equity instruments at fair value through other comprehensive income	7	-	112,120,878	-	112,120,878	112,120,878
Debt instruments at fair value through other comprehensive income	8	123,354,586	-	-	123,354,586	123,354,586
Trade and other receivables	11	-	-	19,072,506	19,072,506	19,072,506
Cash and cash equivalents	12	-	-	198,592,003	198,592,003	213,199,548
		<b>123,354,586</b>	<b>112,120,878</b>	<b>217,664,509</b>	<b>453,139,973</b>	<b>467,747,518</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 32. Financial instruments and risk management Continued

##### Categories of financial instruments Continued

##### Categories of financial assets - In Pula

Consolidated - 2020	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair Value
Equity instruments at fair value through other comprehensive income	7	-	99,311,548	-	99,311,548	99,311,548
Debt instruments at fair value through other comprehensive income	8	121,622,969	-	-	121,622,969	121,622,969
Trade and other receivables	11	-	-	12,922,102	12,922,102	12,922,102
Cash and cash equivalents	12	-	-	268,717,706	268,717,706	268,717,706
		<b>121,622,969</b>	<b>99,311,548</b>	<b>281,639,808</b>	<b>502,574,325</b>	<b>502,574,325</b>

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 32. Financial instruments and risk management Continued

Separate - 2021	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair Value
Equity instruments at fair value through other comprehensive income	7	-	112,120,878	-	112,120,878	112,120,878
Debt instruments at fair value through other comprehensive income	8	123,354,586	-	-	123,354,586	123,354,586
Trade and other receivables	11	-	-	15,081,364	15,081,364	15,081,364
Cash and cash equivalents	12	-	-	197,358,746	197,358,746	211,966,291
		<b>123,354,586</b>	<b>112,120,878</b>	<b>212,440,110</b>	<b>447,915,574</b>	<b>462,523,119</b>

Separate - 2020	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Amortised cost	Total	Fair Value
Equity instruments at fair value through other comprehensive income	7	-	99,311,548	-	99,311,548	99,311,548
Debt instruments at fair value through other comprehensive income	8	121,622,969	-	-	121,622,969	121,622,969
Trade and other receivables	11	-	-	8,352,779	8,352,779	8,352,779
Cash and cash equivalents	12	-	-	262,682,824	262,682,824	262,682,824
		<b>121,622,969</b>	<b>99,311,548</b>	<b>271,035,603</b>	<b>491,970,120</b>	<b>491,970,120</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 32. Financial instruments and risk management Continued

##### Categories of financial liabilities - In Pula

<b>Consolidated - 2021</b>	<b>Note(s)</b>	<b>Amortised</b>	<b>Total cost</b>	<b>Fair Value</b>
Trade and other payables	17	36,181,002	36,181,002	36,181,002
Borrowings	16	7,325,034	7,325,034	7,325,034
Leases	4	9,779,306	9,779,306	9,779,306
		<b>53,285,342</b>	<b>53,285,342</b>	<b>53,285,342</b>

<b>Consolidated - 2020</b>	<b>Note(s)</b>	<b>Amortised</b>	<b>Total cost</b>	<b>Fair Value</b>
Trade and other payables	17	17,860,781	17,860,781	17,860,781
Borrowings	16	6,948,525	6,948,525	6,948,525
Leases	4	8,265,440	8,265,440	8,265,440
		<b>33,074,746</b>	<b>33,074,746</b>	<b>33,074,746</b>

<b>Separate - 2021</b>	<b>Note(s)</b>	<b>Amortised</b>	<b>Total cost</b>	<b>Fair Value</b>
Trade and other payables	17	26,504,373	26,504,373	26,504,373
Leases	4	416,879	416,879	416,879
		<b>26,921,252</b>	<b>26,921,252</b>	<b>26,921,252</b>

<b>Separate - 2020</b>	<b>Note(s)</b>	<b>Amortised</b>	<b>Total cost</b>	<b>Fair Value</b>
Trade and other payables	17	8,232,063	8,232,063	8,232,063

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued**32. Financial instruments and risk management** Continued**Capital risk management**

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2020.

The capital structure of the group consists of net debt (borrowings as detailed in notes 16, offset by cash and bank balances) and equity of the group (comprising low claim reserve, property revaluation reserve, financial assets revaluation reserve, accumulated funds and non-controlling interests as shown in the statement of financial position). The group has adequate cash resources to cover its debts as at 31 December 2021.

The group is not subject to any externally imposed capital requirements.

Figures in Pula		Consolidated		Separate	
		2020	2019	2020	2019
Borrowings	16	7,325,034	6,948,525	-	-
Lease liabilities		9,779,306	8,265,440	416,879	-
Trade and other payables	17	54,789,381	35,668,592	40,805,248	21,293,635
Subscriptions received in advance	18	7,695,962	9,109,338	7,025,738	8,400,917
Outstanding claims	19	82,143,531	56,186,769	84,402,113	56,478,425
<b>Total debt</b>		<b>161,733,214</b>	<b>116,178,664</b>	<b>132,649,978</b>	<b>86,172,977</b>
Cash and cash equivalents	12	(198,592,003)	(268,717,706)	(197,358,746)	(262,682,824)
<b>Net cash</b>		<b>(36,858,789)</b>	<b>(152,539,042)</b>	<b>(64,708,768)</b>	<b>(176,509,847)</b>
Equity		384,724,538	473,411,204	370,514,751	459,218,025
Gearing ratio		(10)%	(32)%	(17)%	(38)%

## **Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### **Notes to the Consolidated And Separate Financial Statements** Continued

#### 32. Financial instruments and risk management Continued

##### **Financial risk management**

###### **Overview**

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Board has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established the risk and audit committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The risk and audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

###### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2021, the group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. For investments in corporate bonds, the group transacts with entities that are rated the equivalent of investment grade. The historical probability of default on the bond portfolio is nil and the current and forwarding looking probability of default is also deemed to be nil thus no provision is made on the bonds.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued32. **Financial instruments and risk management** Continued**Credit risk** Continued

The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of each month to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the Trustees consider that the group's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all short-term receivables. To measure the expected credit losses, short-term receivables have been grouped based on shared credit risk characteristics and the days past due. The ageing of these receivables is disclosed in note 11.

The maximum exposure to credit risk is presented in the table below:

<b>Consolidated</b>	<b>2021</b>			<b>2020</b>			
	<b>Gross carrying amount</b>	<b>Credit loss allowance</b>	<b>Amortised cost / fair value</b>	<b>Gross carrying amount</b>	<b>Credit loss allowance</b>	<b>Amortised cost / fair value</b>	
Debt instruments at fair value through other comprehensive income	8	123,354,586	-	123,354,586	121,622,969	-	121,622,969
Trade and other receivables	11	21,413,430	(2,340,924)	19,072,506	16,599,730	(3,677,628)	
Cash and cash equivalents	12	198,592,003	-	198,592,003	268,717,706	-	268,717,706
		<b>343,360,019</b>	<b>(2,340,924)</b>	<b>341,019,095</b>	<b>406,940,405</b>	<b>(3,677,628)</b>	<b>403,262,777</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 32. Financial instruments and risk management Continued

##### Credit risk Continued

Separate	2021			2020			
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	
Debt instruments at fair value through other comprehensive income	8	123,354,586	-	123,354,586	121,622,969	-	121,622,969
Trade and other receivables	11	15,599,717	(970,477)	14,629,240	11,471,348	(3,118,569)	8,352,779
Cash and cash equivalents	12	197,358,746	-	197,358,746	262,682,824	-	262,682,824
		<b>336,313,049</b>	<b>(970,477)</b>	<b>335,342,572</b>	<b>395,777,141</b>	<b>(3,118,569)</b>	<b>392,658,572</b>

##### Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.



**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 33. Financial instruments and risk management (continued)

**Liquidity risk** (continued)**Consolidated - 2021**

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Borrowings	16	-	5,338,148	2,131,471	7,469,619	6,395,914
Lease liabilities	4	-	6,924,393	2,923,085	9,847,478	7,743,142
<b>Current liabilities</b>						
Trade and other payables	17	36,181,002	-	-	36,181,002	36,181,002
Borrowings	16	1,310,075	-	-	1,310,075	929,120
Lease liabilities	4	2,682,767	-	-	2,682,767	2,036,164
		<b>40,173,844</b>	<b>12,262,541</b>	<b>5,054,556</b>	<b>57,490,941</b>	<b>53,285,342</b>

**Consolidated - 2020**

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Borrowings	16	-	4,261,840	3,196,934	7,458,774	6,230,681
Lease liabilities		-	7,105,208	-	7,105,208	6,183,095
<b>Current liabilities</b>						
Trade and other payables	17	17,860,781	-	-	17,860,781	17,860,781
Borrowings	16	1,065,460	-	-	1,065,460	717,844
Lease liabilities		2,687,004	-	-	2,687,004	2,082,345
		<b>21,613,245</b>	<b>11,367,048</b>	<b>3,196,934</b>	<b>36,177,227</b>	<b>33,074,746</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 32. Financial instruments and risk management (continued)

##### Liquidity risk (continued)

##### Separate - 2021

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	359,744	359,744	332,737
Current liabilities					
Trade and other payables	17	26,504,373	-	26,504,373	26,504,373
Lease liabilities	4	103,855	-	103,855	84,142
		<b>26,608,228</b>	<b>359,744</b>	<b>26,967,972</b>	<b>26,921,252</b>

##### Separate - 2020

		Less than 1 year	Total	Carrying amount
<b>Current liabilities</b>				
Trade and other payables	17	8,232,063	8,232,063	8,232,063

##### Foreign currency risk

The group is exposed to foreign currency risk for transactions that are denominated in a currency other than Pula. The Group does not take cover on foreign currency as it regards the Pula as a stable currency. The Groups's exposure to foreign currency risk based on notional amounts is analysed as follows:

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 32. Financial instruments and risk management (continued)

**Foreign currency risk** (continued)**Exposure in Pula**

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

**Non-current assets:**

Equity and debt instruments at fair value through other comprehensive income - USD denominated	98,300,907	90,708,115	98,300,907	90,708,115
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**Current assets:**

Bank balances - ZAR denominated	4,000,967	4,058,061	4,000,967	4,058,061
Bank balances - GBP denominated	1,190,274	990,893	1,190,274	990,893

**Current liabilities:**

Trade and other payables - ZAR denominated	(612,314)	(411,337)	(612,314)	(176,253)
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**Net exposure**

<b>102,879,834</b>	<b>95,345,732</b>	<b>102,879,834</b>	<b>95,580,816</b>
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**Exposure in foreign currency amounts**

The net carrying amounts, in foreign currency of the above exposure was as follows:

**Foreign currency amount****Non-current assets:**

Equity and debt instruments and fair value through other comprehensive income - USD denominated	8,398,915	8,398,900	8,398,915	8,398,900
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**Current assets:**

Bank balances - ZAR denominated	<b>5,657,368</b>	<b>5,764,291</b>	<b>5,657,368</b>	<b>5,764,291</b>
<b>Bank balances - GBP denominated</b>	<b>78,023</b>	<b>69,855</b>	<b>78,023</b>	<b>69,855</b>

**Current liabilities:**

Trade and other payables - ZAR denominated	<b>(795,954)</b>	<b>(584,286)</b>	<b>(795,954)</b>	<b>(250,359)</b>
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## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 32. Financial instruments and risk management (continued)

##### Exchange rates

##### Pula per unit of foreign currency:

Great Britain Pound	15,256	14,185	15,256	14,185
South African Rand	0.707	0.704	0.707	0.704
United States Dollar	11.704	10.576	11.704	10.576
Foreign currency sensitivity analysis				

The following information presents the sensitivity of the group to a 10% increase or decrease in the respective currencies it is exposed to.

##### Consolidated

Increase or decrease in rate

Impact on profit or loss:

South African Rand denominated balances

Great Britain Pound denominated balances

United States Dollar denominated balances

	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
South African Rand denominated balances	(444,552)	444,552	(364,672)	364,672
Great Britain Pound denominated balances	118,987	(118,987)	99,089	(99,089)
United States Dollar denominated balances	9,830,084	(9,830,084)	9,070,817	(9,070,817)

##### Separate

Increase or decrease in rate

Impact on profit or loss:

South African Rand denominated balances

Great Britain Pound denominated balances

United States Dollar denominated balances

	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
South African Rand denominated balances	(444,552)	444,552	(388,181)	388,181
Great Britain Pound denominated balances	118,987	(118,987)	99,089	(99,089)
United States Dollar denominated balances	9,830,084	(9,830,084)	9,070,817	(9,070,817)

##### Interest rate risk

As the group has interest-bearing assets and liabilities the group's policy is to minimise interest rate risk exposure on these financial assets and financial liabilities. The group's investments in bonds, call accounts, short term investments and offshore cash and cash equivalents are considered long term and short term strategic investments. During the year, the group was exposed to changes in the market interest rates through bank borrowings, investments in bonds, call accounts, short term investments and offshore cash and cash equivalents.

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued**32. Financial instruments and risk management** (continued)**Interest rate profile**

The Group invests with reputable institutions and is subject to normal interest rate risk. The effective annual interest rates on the financial instruments noted above are as follows:

	Note	Average effective interest rate		Carrying amount	
		2021	2020	2021	2020
Consolidated					
<b>Assets</b>					
Money market investments		2.09 %	3.00 %	70,882,887	64,606,458
<b>Liabilities</b>					
Borrowings - property development loan		5.25 %	5.75 %	6,230,564	6,948,525
Borrowings - other		8.50 %	8.50 %	1,094,470	-
				<b>7,325,034</b>	<b>6,948,525</b>
<b>Assets</b>					
Debt investments at fair value through other comprehensive income	8	7.50 %	7.50 %	123,354,586	121,622,969
Pula call account		0.08 %	1.00 %	38,749,796	70,355,560
GBP call account		1.00 %	1.00 %	1,190,274	990,898
Short term deposit		4.50 %	4.80 %	77,245,441	81,404,190
				<b>240,540,097</b>	<b>274,373,617</b>
Separate					
<b>Assets</b>					
Money market investments		2.09 %	3.00 %	70,882,887	64,606,458
<b>Assets</b>					
Debt investments at fair value through other comprehensive income	8	7.50 %	7.50 %	123,354,586	121,622,969
Pula call accounts		0.08 %	1.00 %	37,850,862	64,491,020
GBP call accounts		1.00 %	1.00 %	1,190,274	990,898
Short term deposits		4.50 %	4.80 %	77,245,441	81,404,190
				<b>239,641,163</b>	<b>268,509,077</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 32. Financial instruments and risk management (continued)

##### Interest rate sensitivity analysis

A change of 50 basis points in interest rates during the reporting period would have increased /(decreased) the profit before taxation by an equal amount in either direction, as shown below

Consolidated	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
<b>Increase or decrease in rate</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Impact on profit or loss:</b>				
Money market investment	447,553	(447,553)	323,032	(323,032)
Borrowings	(31,152)	31,152	(34,743)	34,743
	<b>416,401</b>	<b>(416,401)</b>	<b>288,289</b>	<b>(288,289)</b>
Separate	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
<b>Increase or decrease in rate</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Impact on profit or loss:</b>				
Money market investment	447,553	(447,553)	323,032	(323,032)

##### Price risk

The group is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio where necessary.

##### Price risk sensitivity analysis

A change of 10% in the equity and unit trust prices during the reporting period would have increased/(decreased) the profit before taxation by an equal amount in either direction, as shown below:

Consolidated	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
<b>Increase or decrease in rate</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Impact on profit or loss:</b>				
Equity instruments at fair value	11,212,087	(11,212,087)	9,931,155	(9,931,155)
Separate	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
<b>Increase or decrease in rate</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Impact on profit or loss:</b>				
Equity instruments at fair value	11,212,087	(11,212,087)	9,931,155	(9,931,155)

**Botswana Medical Aid Society**

Consolidated And Separate Financial Statements for the year ended 31 December 2021

**Notes to the Consolidated And Separate Financial Statements** Continued

## 33. Fair value information

**Fair value hierarchy**

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

**Level 1:** Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

**Level 2:** Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

**Levels of fair value measurements****Level 1****Recurring fair value measurements****Assets**

Note(s)

Equity investments at fair value through other comprehensive income

7

Listed shares

Total

	111,968,220	99,158,890	111,968,220	99,158,890
<b>Total</b>	<b>111,968,220</b>	<b>99,158,890</b>	<b>111,968,220</b>	<b>99,158,890</b>

**Level 2****Recurring fair value measurements****Assets**

Note(s)

Debt instruments at fair value through other comprehensive income

8

Onshore bonds

Offshore bonds

Total debt instruments at fair value through other comprehensive income

**Total**

	89,872,471	92,136,530	89,872,471	92,136,530
	33,482,115	29,486,439	33,482,115	29,486,439
<b>Total</b>	<b>123,354,586</b>	<b>121,622,969</b>	<b>123,354,586</b>	<b>121,622,969</b>

## Botswana Medical Aid Society

Consolidated And Separate Financial Statements for the year ended 31 December 2021

### Notes to the Consolidated And Separate Financial Statements Continued

#### 33. Fair value information Continued

##### Fair value hierarchy Continued

##### Level 3

##### Recurring fair value measurements

Assets	Note(s)				
<b>Property, plant and equipment</b>	3				
Leasehold property		58,219,157	58,030,000	31,728,276	31,000,000
<b>Equity investments at fair value through other comprehensive income</b>	7				
Unlisted shares		152,658	152,658	152,658	152,658

#### 34. Events after the reporting period

The Board of Trustees is not aware of any events that occurred after the reporting date which would require adjustments or disclosure in these financial statements.

#### 35. Fidelity cover

In accordance with the rules of the Society, fidelity cover of P2,000,000 (2020: P2,000,000) has been procured.





**Bomaid**   
Health & Happiness at heart



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